



CITY OF KENNESAW, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For The Fiscal Year Ended
September 30, 2007**

**City Manager
Steve Kennedy**

**Finance Officer
Gina Auld**

**Department of Finance
2529 J. O. Stephenson Ave. Kennesaw, GA 30144 (770) 424-8274**

THIS PAGE INTENTIONALLY LEFT BLANK

City of Kennesaw, Georgia
Comprehensive Annual Financial Report
September 30, 2007

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	3
GFOA Certificate of Achievement for Excellence in Financial Reporting	9
Organizational Chart	10
List of Elected and Appointed Officials	11
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	14
Management's Discussion and Analysis	16
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	29
Statement of Activities	30
Fund Financial Statements:	
Balance Sheet – Governmental Funds	33
Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds.....	34
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	35
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	36
Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund – Budget and Actual	37
Statement of Revenues, Expenditures, and Changes in Fund Balances – E911 Special Revenue Fund – Budget and Actual	38
Statement of Net Assets – Proprietary Funds	39
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	41
Statement of Cash Flows – Proprietary Fund Funds	42
Notes to the Financial Statements	44
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Capital Projects Fund – Budget and Actual	65
Combining Balance Sheet – Nonmajor Governmental Funds	66

City of Kennesaw, Georgia
Comprehensive Annual Financial Report
September 30, 2007

TABLE OF CONTENTS

	<u>Page</u>
Combining Statement of Revenues, Expenses and Changes in Fund Balances – Nonmajor Governmental Funds	67
Schedules or Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Impact Fees Special Revenue Fund.....	68
Greenspace Special Revenue Fund.....	69
Hotel/Motel Tax Special Revenue Fund	70
Police Special Revenue Fund.....	71
Cemetery Special Revenue Fund.....	72
Capital Projects Fund-Roads	73

STATISTICAL SECTION

Introduction.....	76
Government-Wide Net Assets by Category	77
Changes in Net Assets	78
Fund Balances of Governmental Funds	79
Changes in Fund Balances of Governmental Funds	80
Taxable Assessed Value and Estimated Actual Value of Property	81
Direct and Underlying Property Tax Rates	82
Principal Property Taxpayers	83
Property Tax Levies and Collections	84
Ratios of Outstanding Debt by Type	85
Ratios of General Bonded Debt Outstanding	86
Direct and Overlapping Governmental Activities Debt	87
Legal Debt Margin	88
Pledged-Revenue Coverage	89
Demographic and Economic Statistics	90
Principal Employers	91
Number of City Employees by Function/Program	92
Operating Indicators by Function/Program	93
Capital Asset Statistics by Function	94

**City of Kennesaw, Georgia
Comprehensive Annual Financial Report
September 30, 2007**

TABLE OF CONTENTS

ADDITIONAL REPORTS AND SCHEDULES

Independent Auditors' Report on Compliance And On Internal Control Over Financial
Reporting Based On An Audit Of Financial Statements Performed In Accordance
With *Government Auditing Standards* 99

Schedule of Special Local Option Sales Tax Expenditures 101

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION



THIS PAGE INTENTIONALLY LEFT BLANK

MAYOR
Leonard Church

City Manager
Steve Kennedy

City Clerk
Debra Taylor, CMC



COUNCIL

John Dowdy

Cindy Giles

Bruce Jenkins

Mark Mathews

Bill Thrash

March 20, 2008

To the Honorable Mayor, Members of the City Council
And Citizens of the City of Kennesaw

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Kennesaw, Georgia, for the fiscal year ended September 30, 2007. This is the fourth year the City has prepared this report using the new reporting requirements as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various activities of the City. Disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) as promulgated by the GASB.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Kennesaw, originally named Big Shanty, incorporated in 1887. It is located in the northwest part of the State and is in the Atlanta Metropolitan Area. The City, located in Cobb County, is considered to be in the top growth rank of the country. The City currently has a land area of 9.4 square miles and a population of approximately 34,058. The City has the power, by State statute, to extend its corporate limits by annexation, which is done by request of citizens or at the City's initiation. Annexations

must be approved by the City Council. A major priority established by the City Council is future growth potential that is accomplished through an aggressive policy of incremental annexations based on a comprehensive, planned strategy.

The City is a home-rule charter city in the State of Georgia and has operated under the Council-Manager form of government since September 1996. The Mayor and Council members are elected for four year terms. Council member terms are staggered and members are elected at large. The Mayor and 5 Council members are vested with policymaking and legislative authority for the City. The Council is responsible for passing ordinances, adopting the budget, appointing committees, hiring the City Manager, making appointments of various city employees, attorney, auditor and city engineer. In addition, individual members of the City Council are appointed on a rotating basis as liaisons to individual departments of the City in an effort to provide an additional flow of information for decision-making. The City Manager is responsible for carrying out the policies and ordinances of the Council, overseeing the day to day operations of the City and insuring fiscal stability.

The Reporting Entity

The accompanying CAFR includes all governmental activities, organizations, and functions for which the City is financially accountable. The criteria considered in determining the activities to be reported within the City's financial statements include: 1) whether an organization is part of the City's legal entity, or 2) whether the City appoints the voting majority of the organization's governing body, and either a) the City is able to impose its will on the organization, or b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. In addition, an organization may be fiscally dependent on the City and also included in its reporting entity. These criteria are based upon, and are consistent with, those set forth in the Codification of Governmental Accounting Standards, Section 2100, "Defining the Financial Reporting Entity".

The City provides a broad range of municipal government and utility services. Included in these services are traditional city functions such as police protection, road and street maintenance, culture and recreation, public improvements, planning and zoning, building inspection, code enforcement, and general administrative services. In addition to general government activities, the City has three enterprise operations including sanitation, museum and an arboretum.

Other legally separate entities, known as component units, are also included in the City's reporting entity based on the criteria discussed above:

Kennesaw Development Authority – an organization that promotes commercial and industrial development in Kennesaw.

Kennesaw Downtown Development Authority – an organization that works to develop, revitalize and promote downtown Kennesaw.

Economic conditions and outlook

The City is part of metro Atlanta and currently enjoys a favorable economic environment despite recent national and regional economic downturns. Kennesaw has changed from a small town to a largely residential community with a significant commercial and industrial economic base because of its proximity to Interstate 75 and U. S. Highway 41. The City's proximity to major transportation has helped bolster development, especially light industry and distribution services. Several industrial parks now operate in the City. The area has varied manufacturing, industrial, corporate office and retail space that add to the relative stability of the unemployment rate. The City has an aggressive economic development and downtown redevelopment focus with a goal of solidifying balanced residential and commercial growth in the community, expanding job creation, and creating a stable fiscal environment for the City's government.

FINANCIAL INFORMATION

Accounting Systems and Budgetary Control

In developing and evaluating the City's accounting control system, consideration is given to the adequacy of internal accounting controls. Accounting control comprises the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

Transactions are executed in accordance with management's general or specific authorization.

Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria, such as finance-related legal and contractual compliance requirements applicable to such statements, and (2) to maintain accountability for assets.

Access to assets is permitted only in accordance with management's authorization.

The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

The City's internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. Reasonable assurance recognizes that the cost of a control should not exceed the expected benefit.

We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City maintains extensive budgetary controls with the objective of compliance with legal provisions embodied in the annual budget. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amounts) is the departmental level. The City's budget procedures are more fully explained in the notes to the financial statements.

The goals of the City's financial operations are to comply with legal requirements established by the State of Georgia, national standards for local government financial operations established by national organizations such as the Government Finance Officers Association, the Governmental Accounting Standards Board, the Association of Government Accountants and to provide accurate, timely financial information to elected officials, management, and the citizens.

Cash Management

The objectives of the City's investment policy are safety of principal, liquidity, and return on investment. The cash management program maximizes the use of idle funds by investing balances until needed. The City invests in fully insured or collateralized money market accounts. It is the City's policy to require that all uninsured amounts are fully collateralized with securities held by the City, by an agent in the City's name or in the agent's pooled collateral accounts.

Cash temporarily idle during the year was invested in money market funds. For the fiscal year ended September 30, 2007, the City's cash management program earned \$880,391 for an average yield of over 5%. The investment efforts provided an additional \$108,290 in interest income to the General Fund over what had been budgeted during this period.

Risk Management

Third party coverage is currently maintained for workmen's compensation, property and casualty insurance, general liability insurance and group medical insurance. As part of the City's loss control strategy it has established an employee wellness program and has safety briefings.

Pension

The City of Kennesaw sponsors a retirement plan for full-time City employees. The Georgia Municipal Employees Benefit System administers this non-contributory defined benefit plan. Further details concerning pension expenses, vested benefits, and actuarial assumptions are included in the notes to the financial statements.

OTHER INFORMATION

Independent Audit

Georgia State statutes and the City charter require an annual audit by independent certified public accountants. The accounting firm of Williamson & Co., CPA's was selected by the City Council. Generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's report on internal controls and compliance with applicable laws and regulations can be found in the last section of this report.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kennesaw for its comprehensive annual financial report for the year ended September 30, 2006. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

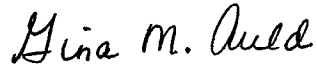
We wish to take this opportunity to thank the Mayor and Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. In closing, the preparation of this report on a timely basis could not be accomplished without the efficient and dedicated service of the entire staff of the Finance Department. We would like to express our appreciation to all members of the Department who assisted and contributed to its preparation.

Most of all, we would like to thank the citizens of Kennesaw and all of the volunteer committees for their extraordinary level of community involvement, extending beyond personal interest, which continues to make the City of Kennesaw an excellent place to live and work.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "L. Steve Kennedy".

L. Steve Kennedy
City Manager

A handwritten signature in cursive script, appearing to read "Gina M. Auld".

Gina M. Auld
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kennesaw
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

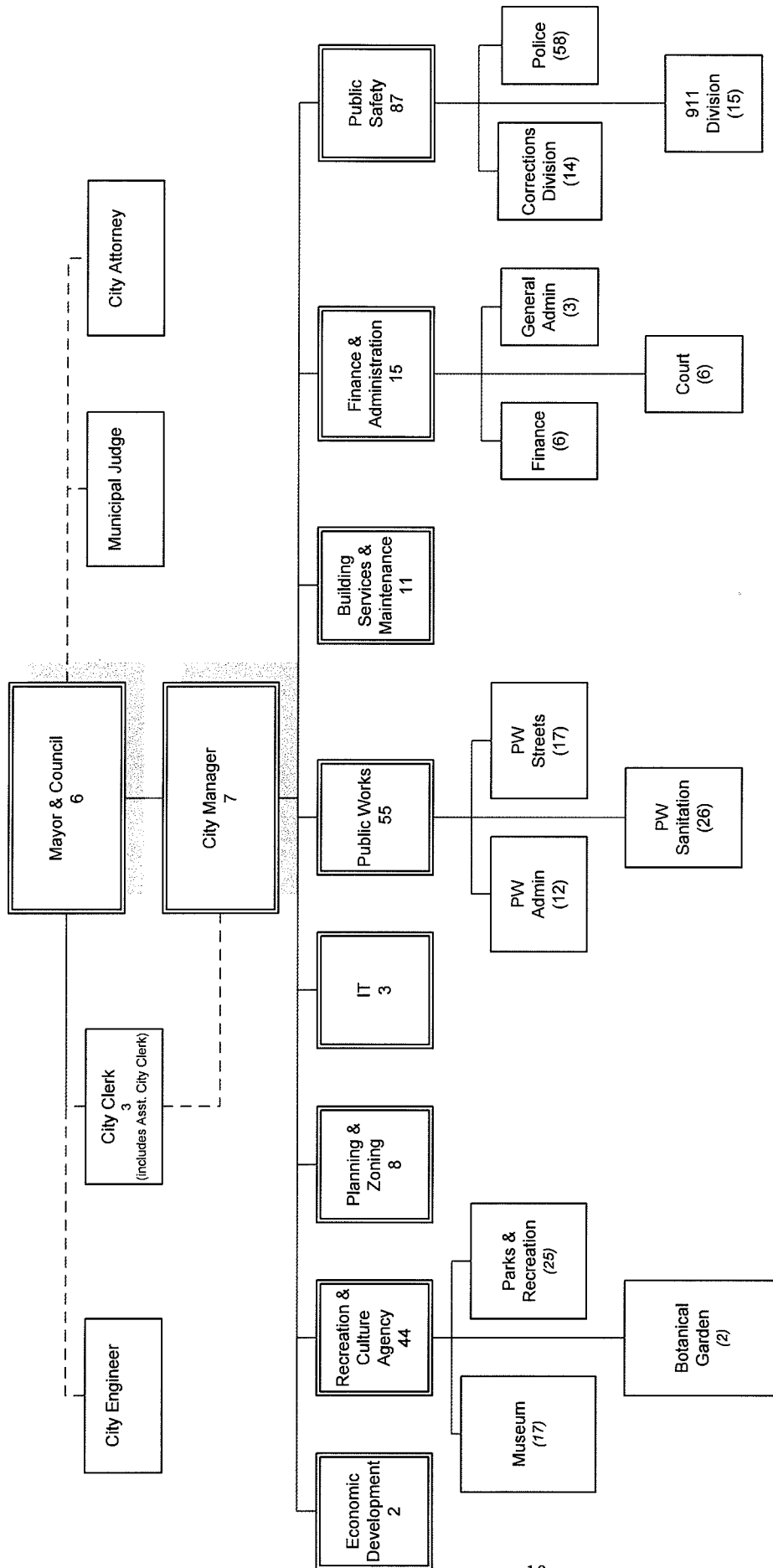
President

Jeffrey R. Emer

Executive Director

City of Kennesaw

Organization Chart- City Wide- 241



**CITY OF KENNESAW, GEORGIA
LIST OF ELECTED AND APPOINTED OFFICIALS AND DEPARTMENT HEADS
SEPTEMBER 30, 2007**

Elected Officials

Mayor
Mayor Pro-Tem/Council Member
Council Member
Council Member
Council Member
Council Member

Leonard Church
John Dowdy
Cindy Giles
Bruce Jenkins
Mark Mathews
Bill Thrash

Appointed Officials

City Manager
Attorney
City Clerk
Assistant City Clerk
Auditor
Municipal Court Judge

L. Steve Kennedy
Bentley, Bentley, Bentley
Debra Taylor
Marilyn Shoaf
Williamson & Company, CPAs
Phillip Taylor

Department Heads

Chief of Police
Public Works Director
Chief Building Official
Finance Director
Planning & Zoning Director
Parks & Recreation Director
Economic Development Director
Culture and Recreation Director
Information Technology Director
Public Relations Coordinator
E-911 Director
Human Resource Director
Assistant to the City Manager

Tim Callahan
Woody McFarlin
Mark Rice
Gina Auld
Darryl Simmons
Doug Taylor
Robert Fox
Jeff Drobney
Teri Chambers
David Layman
Bobbie Duke
Leean Keanum
Miranda Jones

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Council
City of Kennesaw
Kennesaw, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kennesaw, Georgia, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds presented as supplementary information in the accompanying combining financial statements as of and for the year ended September 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the City of Kennesaw, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

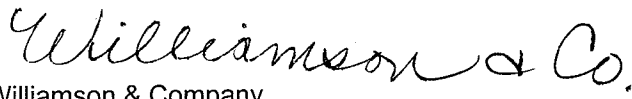
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, as well as of each nonmajor governmental fund, of the City of Kennesaw, Georgia as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and E-911 fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2008 on our consideration of City of Kennesaw, Georgia's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis on pages 16 through 26 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kennesaw's basic financial statements. The schedule of projects constructed with special local option sales tax proceeds, as required by Georgia code section OCGA 48-8-121, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Cartersville, Georgia. The introductory section, combining and individual non-major fund financial statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and the schedule of projects constructed with special local option sales tax proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying information in the introductory section and the statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Williamson & Company
Certified Public Accountants
February 29, 2008

Management's Discussion and Analysis

This section of the City Kennesaw's annual financial report is designed to provide the reader a better understanding of the City's financial activity for the fiscal year that ended September 30, 2007. It should be read in conjunction with the Transmittal Letter at the front of this report and the City's financial statements, which follow this section. Notes mentioned below are Notes to the Financial Statements that follow the statements.

Financial Highlights

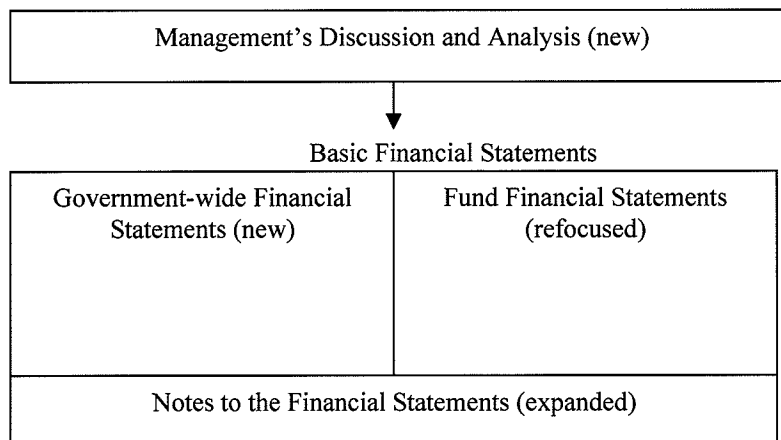
- The City's total assets exceed liabilities by \$29,008,585 at the end of the year. This amount includes \$15,079,666 invested in capital assets net of accumulated depreciation and related debt, restricted net assets of \$6,441,818 and unrestricted net assets of \$7,487,101.
- The City's total net assets increased by \$2,914,972 (11%) to \$29,008,585. The net assets for governmental activities increased by \$2,800,889 (11 %) and business-type net assets increased by \$114,083 (127%).
- The City's revenues for governmental activities were \$18,686,488, excluding transfers. Expenses, excluding transfers were \$15,218,409.
- The City's business-type activities, excluding transfers, had revenues of \$2,943,136, while expenses were \$3,494,950, excluding transfers.
- The General Fund, which is the City's primary operating fund, reported a decrease in fund balance of \$2,348,502 in fiscal year 2007. Beginning fund balance includes a \$207,766 restatement as described in Note 16.
- The City's governmental activities long-term debt balance (Note 8) had a net increase of \$1,288,477. The change in governmental activities long-term debt reflects an increase in a tax anticipation note of \$1,652,357, an increase in compensated absences payable of \$42,485, a net decrease in bonds payable \$385,000, an increase in leases payable of \$93,635 and a decrease in revenue bonds payable of \$115,000. The balance on the outstanding debt for business-type activities had a net decrease of \$288,776 that resulted from a decrease in compensated absences of \$4,510, a decrease in notes payable of \$220,000 and a decrease in capital leases of \$64,266.
- Total cash and investments (Note 3) at September 30, 2007 was \$15,181,439.
- Capital assets for the City, net of accumulated depreciation, at the end of the 2007 fiscal year totaled \$35,803,100. This includes net capital assets for governmental activities of \$29,197,155 and business-type activities of \$6,605,945.

Management's Discussion and Analysis

An Overview of the Financial Statements

In light of the fact that this is a different presentation from the Pre-GASB Statement 34 model, the following graph is provided to assist in understanding the component parts of the financial report.

Required Components of the City's Annual Financial Report



The focus of the financial statements is on both the City's overall financial status and the major individual funds. The following briefly describes the component parts.

GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements are designed to report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets combines, for the first time, all of the City's current financial resources with capital assets and long-term obligations. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health.

The government-wide financial statements of the City are divided into three categories:

- **Governmental activities** – These include the basic services provided by the City including police, culture and recreation, public works and general administration.
- **Business-type activities** – These include services for which the City charges specific fees which are meant to cover the cost of providing the services. These include sanitation (solid waste collection), the Southern Museum of Civil War and Locomotive History and the Smith-Gilbert Arboretum.
- **Component units** – Included in the component units for the City is the Kennesaw Downtown Development Authority and the Kennesaw Development Authority. Although these organizations are separate legal entities, the City is financially accountable for them.

Governmental activities and business-type activities are consolidated and add to the total for the primary government.

Management's Discussion and Analysis

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's major funds rather than the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City has two types of funds as described in the chart below.

Fund Financial Statements

	Governmental Funds	Proprietary Funds
Scope	Includes the City's basic services such as police, traffic control, cultural activities, parks, streets and roads and planning and development.	Services provided by the City that are operated similar to private businesses and for which the City charges a fee
Examples	Police, street and sidewalks, parks, and recreational activities	Sanitation, Museum and Arboretum
Required financial statements	<ul style="list-style-type: none">- Balance Sheet- Statement of revenues, expenditures, and changes in fund balances	<ul style="list-style-type: none">- Statement of net assets- Statement of revenues, expenses, and changes in net assets- Statement of cash flows
Accounting basis and measurement focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short and long-term
Type of inflow / outflow information	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following table reflects the condensed Statement of Net Assets for the current year. The City's net assets increased by \$2,914,972 (11%) in fiscal year 2007. The net assets of the governmental activities include \$13,367,294 investment in capital assets net of related debt. Capital assets of \$29,197,155 include land, buildings, park improvements, machinery and equipment net of accumulated depreciation. Related debt includes bonds of \$16,010,000.

The net assets of the business-type activities include \$1,712,372 investment in capital assets net of related debt. Capital assets of \$6,605,945 include land, building, other improvements, equipment, and museum artifacts, net of accumulated depreciation. Related debt includes notes of \$4,770,000 and capital leases of \$123,572.

For more detailed information, see the Statement of Net Assets on page 31 of the financial statements and the notes to the financial statements.

Table 1
Statement of Net Assets
As of September 30
(in thousands)

	Governmental Activities		Business-type Activities		Total		Total%
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006-07</u>
ASSETS							
Current and other assets	\$20,177	\$ 20,988	\$ (1,140)	\$ (999)	\$ 19,037	\$ 19,989	(4.8%)
Capital assets	29,197	23,530	6,606	6,558	35,803	30,088	19.0%
Total Assets	<u>49,374</u>	<u>44,518</u>	<u>5,466</u>	<u>5,559</u>	<u>54,840</u>	<u>50,077</u>	<u>9.5%</u>
LIABILITIES							
Current and other liabilities	2,381	2,356	337	581	2,718	2,937	(7.5%)
Long-term debt outstanding	18,183	16,154	4,930	4,894	23,113	21,048	9.8%
Total Liabilities	<u>20,564</u>	<u>18,510</u>	<u>5,267</u>	<u>5,475</u>	<u>25,831</u>	<u>23,985</u>	<u>7.7%</u>
NET ASSETS							
Invested in capital assets, net of related debt	13,367	7,021	1,712	1,381	15,079	8,402	79.5%
Restricted	6,442	109	--	--	6,442	109	5810.1%
Unrestricted	9,001	18,878	(1,513)	(1,297)	7,488	17,581	(57.4%)
Total Net Assets	<u>\$ 28,810</u>	<u>\$ 26,008</u>	<u>\$ 199</u>	<u>\$ 84</u>	<u>\$ 29,009</u>	<u>\$ 26,092</u>	<u>11.2%</u>

CHANGES IN NET ASSETS

The City's total revenues before transfers were \$21,629,624 in the 2007 fiscal year. Expenses before transfers were \$18,713,359 during that same period. Governmental and business-type activities combined provided a \$2,916,265 increase in net assets.

Governmental activities revenues, before transfers, were \$18,686,488 and included \$3,167,182 charges for services, \$603,603 grant and contribution revenues, and \$7,854,106 in property taxes. The largest governmental activities expenses were for public safety of \$5,715,932 (police and jail), public works of \$2,174,348, culture and recreation of \$2,117,371 and general government of \$3,003,822. Expenses include depreciation expense as explained in the notes to the financial statements (Note 6).

Business-type activity revenues were \$2,943,136 and included \$2,666,858 charges for services and \$270,176 grant and contribution revenues. The largest business-type activity expenses were for salaries and wages \$1,165,653, landfill disposal fees of \$382,963, and marketing \$220,269.

Management's Discussion and Analysis

Table 2
Changes in Net Assets
September 30
(in thousands)

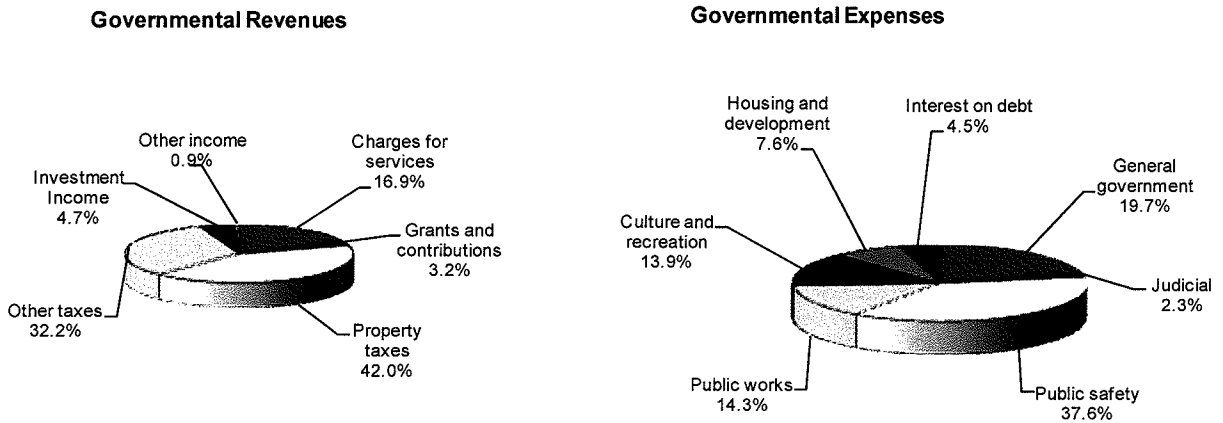
	Governmental Activities		Business-type Activities		Total		Total%
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>Change 2006-07</u>
Revenues							
Program Revenues							
Charges for services	\$ 3,167	\$ 3,350	\$ 2,667	\$ 2,267	\$ 5,834	\$ 5,617	3.9%
Operating grants and contributions	7	451	--	--	7	451	(98.4%)
Capital grants and contributions	597	552	270	73	867	625	38.7%
General revenues							
Property taxes	7,854	877	--	--	7,854	877	795.6%
Other taxes	6,004	3,409	--	--	6,004	3,409	76.1%
Impact fees	18	178	--	--	18	178	(89.9%)
Investment income	874	696	6	18	880	714	23.2%
Other general revenues	147	47	--	--	147	47	212.8%
Gain from sale of fixed assets	18	--	--	--	18	--	100.0%
Total Revenues	<u>\$ 18,686</u>	<u>\$ 9,560</u>	<u>\$ 2,943</u>	<u>\$ 2,358</u>	<u>\$ 21,629</u>	<u>\$ 11,918</u>	<u>81.5%</u>
Expenses							
General Government	\$ 3,004	\$ 2,740	\$ --	\$ --	\$ 3,004	\$ 2,740	9.6%
Judicial	355	298	--	--	355	298	19.1%
Public Safety	5,716	5,274	--	--	5,716	5,274	8.4%
Public Works	2,174	2,047	--	--	2,174	2,047	6.2%
Culture and Recreation	2,117	1,853	--	--	2,117	1,853	14.2%
Housing and Development	1,164	956	--	--	1,164	956	21.8%
Interest on long-term debt	688	729	--	--	688	729	(5.6%)
Water and Sewer	--	--	--	268	--	268	(100%)
Museum	--	--	1,568	1,225	1,568	1,225	24.9%
Sanitation	--	--	1,810	1,673	1,810	1,673	8.2%
Arboretum	--	--	117	--	117	--	100%
Total Expenses	<u>15,218</u>	<u>13,897</u>	<u>3,495</u>	<u>3,166</u>	<u>18,713</u>	<u>17,063</u>	<u>9.7%</u>
Excess (Deficiency) before transfers	3,468	(4,337)	(552)	(808)	2,916	(5,145)	156.7%
Transfers	<u>(667)</u>	<u>(591)</u>	<u>667</u>	<u>591</u>	<u>--</u>	<u>--</u>	<u>0.00%</u>
Increase (Decrease) in Net Assets	<u>\$ 2,801</u>	<u>\$ (4,928)</u>	<u>\$115</u>	<u>\$ (217)</u>	<u>\$ 2,916</u>	<u>\$ (5,145)</u>	<u>156.7%</u>

Management's Discussion and Analysis

GOVERNMENTAL ACTIVITIES

See pages 31-32 of the financial statements for the net cost (total cost less revenues generated by the activities) of these programs or functions. The following charts show the source of the City's governmental revenues and expenses.

Table 3 – Governmental Activities



Revenue Impacts:

- Property taxes of \$7,854,106 provided 42.0% of governmental revenues for general operations. The City received \$325,188 for the homeowner tax relief credit from the State of Georgia. The M&O millage rate remained at 8.25 mills of which 1.5 mills are restricted to service the debt of the general obligation bond issue for recreation and transportation improvements.
- The transfers to proprietary funds were \$667,190 which was a \$76,144 increase over the prior year. This increase was due primarily for continued support of the Museum.
- Charges for services include amounts charged for providing E911 service of \$853,057, business and occupation license of \$335,027 and municipal court fines of \$1,438,119.

Expense Impacts

- General Government expenditures increased due primarily to personnel costs and related fringe benefits.
- Public Safety expenses increased due to personnel costs and related fringe benefits.
- Culture and Recreation expenditures increased due to personnel costs and related fringe benefits, program and landscaping expenditures.

Management's Discussion and Analysis

BUSINESS-TYPE ACTIVITIES

Table 4
Business-type Activities
September 30
(in thousands)

<u>Fund</u>	<u>Program Revenues</u>		<u>Program Expenses</u>		<u>Program Income (Loss)</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Water/Sewer	\$ --	\$ --	\$ --	\$ 268	\$ --	\$ (268)
Museum	669	480	1,568	1,225	(899)	(745)
Sanitation	2,266	1,860	1,810	1,673	456	187
Arboretum	<u>2</u>	<u>--</u>	<u>117</u>	<u>-</u>	<u>(115)</u>	<u>--</u>
Total	<u>\$2,937</u>	<u>\$ 2,340</u>	<u>\$ 3,495</u>	<u>\$ 3,166</u>	<u>\$ (558)</u>	<u>\$ (826)</u>

Program revenues for business-type activities for the fiscal year 2007 were \$2,937,034, a \$597,086 increase compared to the prior year. Program expenses were \$3,494,950 in 2007, \$328,732 more than the prior year. There was a net loss of \$557,916 in 2007 compared to a net loss of \$826,270 in 2006. The decrease in the loss is due to the increase in both the Museum and Sanitation Fund program revenues. Activities for individual funds are summarized below.

- The Mayor & Council approved the sale of the Water and Sewer System effective December 31, 2005. Fiscal Year 2006 reported expenditures of \$267,612 while Fiscal Year 2007 had none.
- Museum program revenue increased by \$189,028 and expenses increased by \$342,504. The increase in revenue reflects the increase in grant funding. Museum admissions revenue remained the same. Expense increases were in salary and related fringe benefits and marketing costs.
- Solid Waste program revenues increased \$405,881 over the prior year while expenses increased \$136,473. The revenue increase was due to a rate increase and implementing the restart fees. Expense increases include landfill disposal fees and increases in salary and related fringe benefits.
- Arboretum revenues were minimal since this fund is in the start up phase.

Management's Discussion and Analysis

Table 5
Financial Analysis of the City's Major Funds
(in thousands)

Fund	Fund Balances 09-30-06	Revenues/ Sources	Expenditures/ Uses	Revenues/Sources Over (Under) Expenditures/Uses	Fund Balances 09-30-07
General Fund	\$ 13,556	\$ 15,543	\$ 17,892	\$(2,349)	\$11,207
E911 Fund	(512)	855	871	(16)	(528)
Capital Projects Fund	6,007	4,211	5,180	(969)	5,038

At September 30, 2007, the City's governmental funds reported a combined fund balance of \$15,799,796 (see Statement on page 36), which is a net decrease of \$3,145,641 from the previous year. This was the result of a current year decrease of \$3,386,784 and a prior period adjustment of \$241,143 to increase fund balance for the reclassification of compensated absences. In the table presented above, fund balance as of September 30, 2007 has been adjusted to include the effects of the prior period adjustments. The unreserved portion of fund balance was \$1,043,212. The unreserved fund balance may serve as a useful indicator of the City's ability to operate without external financing. The reserved portion represents amounts restricted for construction projects and other special projects.

General Fund

The General Fund had a \$2,140,736 decrease in fund balance, to end the fiscal year at \$11,207,392. This includes a prior period adjustment of \$207,766 and the current year decrease in fund balance of \$2,348,502. More detailed information for the general fund is presented on page 36.

Significant items that contributed to the decrease in fund balance were property tax revenue, building permit revenue and fines and forfeitures being less than anticipated and transfers to other funds during the year.

Capital Projects Fund

The capital projects fund accounts for financial resources used for acquisition or construction of major capital facilities other than those financed by proprietary funds. The major projects constructed by the capital projects fund were:

- \$225,639 for City Hall construction
- \$246,708 for various SPLOST road projects
- \$430,747 for intersection and signalization projects
- \$1,622,508 for Swift-Cantrell Property Phase 1
- \$1,701,537 for Public Works land and building.

Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

A statement comparing the original and final budgets and the variance from the final budget to actual results is included on page 38 of the financial statements.

In September 2006, the City Council appropriated \$16,677,858 for general fund expenditures in the 2007 fiscal year budget. The City's legal level of budgeting control is at the department level. The City made several budget transfers during the year and any made between departments were approved by the Mayor & Council.

Primary reasons for the differences between the final budget and actual results in the General Fund include:

Revenues:

- Actual property tax revenue was less than anticipated.
- Licenses and permit revenue was less than the amount budgeted.
- Intergovernmental revenue was under budget due to CDBG revenue being less than anticipated.
- Fines and forfeitures were under budget since red light citation system was not implemented.
- Higher yield on investments resulted in interest income exceeding budget.

Expenditures:

- City Manager expenditures were under budget due to group insurance and postage being less than anticipated.
- Financial administration expenditures were under budget due to vacant positions that were not filled during the fiscal year.
- Information Technology expenditures were less than budget due to the delay of implementing several modules of the new software program.
- Corrections expenditures were less than budget due to a decrease in anticipated salaries and related fringes.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2007, amounted to \$35,803,100 (net of accumulated depreciation of \$7,397,185). Investment in capital assets includes land, buildings, infrastructure, museum artifacts and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 19%. For more detailed information concerning capital assets, see note 6 to the financial statements.

Table 6
Capital Assets
September 30
(net of depreciation)
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$12,397	\$ 11,115	\$ 7	\$ 7	\$ 12,404	\$ 11,122
Construction in progress	3,141	1,302	365	71	3,506	1,373
Buildings and improvements	6,249	5,726	5,457	5,601	11,706	11,327
Park land	2,357	2,352	--	--	2,357	2,352
Infrastructure	1,964	753	--	--	1,964	753
Museum artifacts	--	--	114	111	114	111
Furniture, machinery and equipment	3,089	2,282	663	768	3,752	3,050
Total	<u>\$ 29,197</u>	<u>\$ 23,530</u>	<u>\$ 6,606</u>	<u>\$ 6,558</u>	<u>\$ 35,803</u>	<u>\$ 30,088</u>

Management's Discussion and Analysis

This year's major capital asset additions included:

Governmental Activities:

- Public Works land and building - \$1,701,537
- Swift-Cantrell Park Phase 1 - \$1,622,508
- GEMS Software - \$473,607
- Intersection and signalization projects - \$430,747
- 800 MHZ Radios - \$323,400
- Various SPLOST road projects - \$246,708
- City Hall constructions - \$225,639

Business-type Activities:

- Civil War Learning Center - \$293,287

LONG-TERM DEBT

At the end of 2007 fiscal year, the City had \$22,649,564 in outstanding debt. This is a net increase of \$961,726 compared to the prior year. More detailed information about the City's long-term liabilities is included in note 8 to the financial statements.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the total tax digest. The current debt limitation for the City is \$93,483,910, which is in excess of the City's outstanding general obligation debt.

Table 7
Outstanding Debt at September 30
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General Obligation Bonds	\$ 14,240	\$14,625	\$ --	\$ --	\$ 14,240	\$ 14,625
Revenue Bonds	1,770	1,885	--	--	1,770	1,885
Leases Payable	94	--	124	188	218	188
Notes Payable	<u>1,652</u>	<u>--</u>	<u>4,770</u>	<u>4,990</u>	<u>6,422</u>	<u>4,990</u>
Total	<u>\$ 17,756</u>	<u>\$16,510</u>	<u>\$ 4,894</u>	<u>\$ 5,178</u>	<u>\$ 22,650</u>	<u>\$ 21,688</u>

ECONOMIC AND NEXT YEAR'S BUDGET AND RATES

Even though licenses and permit revenue was less than the amount budgeted, the number of building permits issued by the City increased 25% over the prior year. There were 163 residential permits issued with a total valuation of \$10,867,132 and 143 commercial permits issued with a total valuation of \$19,606,697. It is anticipated that building permits will remain consistent this next fiscal year. Business license fees increases are being phased in over a five year period which began effective Fiscal Year 2006.

Funding for the City's governmental activities is derived from property tax, other taxes, and fees (franchise, occupational license, etc.), grants and investment earnings. During the FY 2008 budget process, the City considered

Management's Discussion and Analysis

projections on the state and local economy to estimate tax revenues for the proposed budget. The City's general fund operating budget for fiscal year 2008 totals \$22,162,943.

Revenues for the business-type activities and certain governmental activities (recreational programs, permitting, etc.) come from user fees. In the past, the City's water utility generated significant revenue for the City. The City Council decided to sell the City's water utility effective December 2005. The Council restricted \$9 million of the \$12 million sales proceeds to be invested in such a manner as to offset the revenue loss due to the sale. It was calculated the investment must yield approximately a 5% return to accomplish this goal. The investment has accomplished this goal and is expected to exceed the required yield during fiscal year 2008.

In November 2006, the City established an incremental sanitation service rate increase to be phased in over three years. This increase will help to offset the rising landfill disposal costs and fuel costs.

The voters passed a county wide SPLOST in 2005. It is projected the City will receive \$23.4 million as its share over the term of the SPLOST. This is comprised of \$18.7 million for major projects, \$429,000 for 800 MHZ radios, \$3.8 million for miscellaneous projects and \$520,000 for resurfacing projects. It is anticipated \$1.6 million will be received during fiscal year 2008.

The City has continued resurfacing several streets under the Georgia Department of Transportation's Local Assistance Road Program (LARP). LARP funds have covered approximately 30-34% of the total cost of the City's resurfacing projects in this program.

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the City's finances, comply with finance related laws and regulations, and demonstrate the City's commitment to public accountability. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Finance Director at 2529 J. O. Stephenson Avenue, Kennesaw, Georgia 30144.

BASIC FINANCIAL STATEMENT



THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF KENNESAW, GEORGIA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	KENNESAW DOWNTOWN DEVELOPMENT AUTHORITY	KENNESAW DEVELOPMENT AUTHORITY
ASSETS					
Cash	\$ 9,506,172	\$ 100,737	\$ 9,606,909	\$ 164,708	\$ 210,956
Receivables - net	2,339,685	192,584	2,532,269	4,770,000	1,658
Prepaid Items	246,754	60,790	307,544	-	-
Internal Balances	1,546,885	(1,546,885)	-	-	-
Inventory	20,726	53,153	73,879	-	-
Restricted Assets:					
Cash	6,242,787	-	6,242,787	-	-
Capital Assets:					
Land and Construction in Progress	17,894,893	371,595	18,266,488	210,000	-
Other Capital Assets-Net	11,302,262	6,234,350	17,536,612	112,756	-
Total Capital Assets	29,197,155	6,605,945	35,803,100	322,756	-
Unamortized bond issue costs	273,774	-	273,774	-	-
Total Assets	49,373,938	5,466,324	54,840,262	5,257,464	212,614
LIABILITIES					
Accounts Payable	837,448	82,608	920,056	20,733	140
Bank Overdraft	661,265	6,992	668,257	-	-
Accrued Wages Payable and Withholdings	218,109	23,685	241,794	-	-
Customer Deposits	117,041	198,468	315,509	1,500	-
Unearned Revenues	422,187	-	422,187	4,770,000	-
Interest Payable	124,575	-	124,575	71,232	-
Retainage Payable	-	25,569	25,569	-	-
Noncurrent Liabilities:					
Due Within One Year	2,213,174	268,970	2,482,144	239,224	-
Due In More Than One Year	15,970,405	4,661,181	20,631,586	4,714,684	-
Total Liabilities	20,564,204	5,267,473	25,831,677	9,817,373	140
NET ASSETS					
Invested in Capital Assets, net of related debt	13,367,294	1,712,372	15,079,666	322,756	-
Restricted for:					
Other Purposes	6,441,818	-	6,441,818	-	-
Unrestricted	9,000,622	(1,513,521)	7,487,101	(4,882,665)	212,474
Total Net Assets	\$ 28,809,734	\$ 198,851	\$ 29,008,585	\$ (4,559,909)	\$ 212,474

The accompanying notes are an integral part of this financial statement.

CITY OF KENNESAW, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General Government	3,003,822	\$ 166,028	\$ -	\$ 588,255
Judicial	355,036	1,438,119	-	-
Public Safety	5,715,932	862,072	750	-
Public Works	2,174,348	-	-	-
Culture and Recreation	2,117,371	488,648	5,850	8,748
Housing and Development	1,163,980	212,315	-	-
Interest on Long-term Debt	687,920	-	-	-
Total Governmental Activities	<u>15,218,409</u>	<u>3,167,182</u>	<u>6,600</u>	<u>597,003</u>
Business-type activities:				
Sanitation	1,809,968	2,265,607	-	-
Kennesaw Civil War Museum	1,567,615	399,424	-	269,576
Arboretum	117,367	1,827	-	600
Total Business-type Activities	<u>3,494,950</u>	<u>2,666,858</u>	<u>-</u>	<u>270,176</u>
Total primary government	<u>\$ 18,713,359</u>	<u>\$ 5,834,040</u>	<u>\$ 6,600</u>	<u>\$ 867,179</u>
Component Units:				
Kennesaw Downtown Development Authority	\$ 305,304	\$ 18,720	\$ -	\$ -
Kennesaw Development Authority	8,226	71,849	-	-
Total Component Units	<u>\$ 313,530</u>	<u>\$ 90,569</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

CITY OF KENNESAW, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets				
	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Kennesaw Downtown Development Authority	Kennesaw Development Authority
Primary government:					
Governmental activities:					
General Government	\$ (2,249,539)		\$ (2,249,539)		
Judicial	1,083,083		1,083,083		
Public Safety	(4,853,110)		(4,853,110)		
Public Works	(2,174,348)		(2,174,348)		
Culture and Recreation	(1,614,125)		(1,614,125)		
Housing and Development	(951,665)		(951,665)		
Interest on Long-term Debt	(687,920)		(687,920)		
Total Governmental Activities	(11,447,624)		(11,447,624)		
Business-type activities:					
Sanitation		455,639	455,639		
Kennesaw Civil War Museum		(898,615)	(898,615)		
Arboretum		(114,940)	(114,940)		
Total Business-type Activities		(557,916)	(557,916)		
Total primary government	(11,447,624)	(557,916)	(12,005,540)		
Component Units:					
Kennesaw Downtown Development Authority				\$ (286,584)	\$ -
Kennesaw Development Authority				-	63,623
Total Component Units				(286,584)	63,623
General revenues:					
Taxes:					
Property	7,854,106	-	7,854,106	-	-
Hotel/Motel	30,831	-	30,831	-	-
Insurance Premium	1,184,731	-	1,184,731	-	-
Business/Occupation	677,558	-	677,558	-	-
Beverage	392,255	-	392,255	-	-
Franchise	1,424,642	-	1,424,642	-	-
Special Local Option Sales Tax	2,161,106	-	2,161,106	-	-
Other	151,149	-	151,149	-	-
Payment from City	-	-	-	326,624	-
Investment Earnings	874,289	6,102	880,391	2,047	6,307
Gain From Sale of Fixed Assets	18,037	-	18,037	-	-
Revenue recognized from sale of fixed assets	-	-	-	220,000	-
Miscellaneous	146,999	-	146,999	-	-
Transfers	(667,190)	667,190	-	-	-
Total General Revenues and Transfers	14,248,513	673,292	14,921,805	548,671	6,307
Change in Net Assets	2,800,889	115,376	2,916,265	262,087	69,930
Net Assets - Beginning	26,008,845	84,768	26,093,613	(4,821,996)	142,544
Adjust for closing of Water Fund	-	(1,293)	(1,293)	-	-
Net Assets - Ending	\$ 28,809,734	\$ 198,851	\$ 29,008,585	\$ (4,559,909)	\$ 212,474

The accompanying notes are an integral part of this financial statement.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF KENNESAW, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	General	E911	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 8,990,472	\$ 77,834	\$ -	\$ 39,618	\$ 9,107,924
Receivables (net):					
Accounts	1,281,022	221	418,742	-	1,699,985
Taxes	229,947	-	400,913	8,840	639,700
Inventory	20,726	-	-	-	20,726
Prepays	235,453	11,301	-	-	246,754
Due from Other Funds	3,806,078	96,075	429,352	9,798	4,341,303
Cash - Restricted	1,383,501	333	4,808,198	50,755	6,242,787
Total Assets	<u>\$ 15,947,199</u>	<u>\$ 185,764</u>	<u>\$ 6,057,205</u>	<u>\$ 109,011</u>	<u>\$ 22,299,179</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 391,715	\$ -	\$ 423,383	\$ 22,350	\$ 837,448
Accrued Wages Payable & Withholdings	125,683	9,331	83,096	-	218,110
Bank Overdrafts	567,336	-	93,929	-	661,265
Due to Other Funds	1,705,121	704,387	451	3,907	2,413,866
Customer Deposits	117,041	-	-	-	117,041
Tax Anticipation Note	1,652,357	-	-	-	1,652,357
Unearned Revenues	180,554	-	418,742	-	599,296
Total Liabilities	<u>4,739,807</u>	<u>713,718</u>	<u>1,019,601</u>	<u>26,257</u>	<u>6,499,383</u>
Fund Balance:					
Reserved for:					
Inventory	20,726	-	-	-	20,726
Other Purposes	8,853,493	(527,954)	-	-	8,325,539
Capital Projects	1,336,681	-	5,037,604	-	6,374,285
Law Enforcement	36,034	-	-	-	36,034
Unreserved	-	-	-	-	-
General Fund	960,458	-	-	-	960,458
Special Revenue Funds	-	-	-	58,119	58,119
Capital Project Funds	-	-	-	24,635	24,635
Total Fund Balances	<u>11,207,392</u>	<u>(527,954)</u>	<u>5,037,604</u>	<u>82,754</u>	<u>15,799,796</u>
Total Liabilities and Fund Balances	<u>\$ 15,947,199</u>	<u>\$ 185,764</u>	<u>\$ 6,057,205</u>	<u>\$ 109,011</u>	<u>\$ 22,299,179</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF KENNESAW, GEORGIA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007**

Fund Balances - Total governmental funds \$ 15,799,796

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities
are not financial resources and are therefore
not reported in the governmental funds.

Governmental capital assets	35,199,427	
Less accumulated depreciation	<u>(6,002,272)</u>	29,197,155

Deferred revenue in the general fund represents property tax billed but uncollected and is eliminated in the statement of net assets.	177,110
--	---------

Other assets used in used in governmental
activities are not financial resources and
therefore are not reported in the governmental funds

Bond issue costs	321,694	
Less accumulated amortization	<u>(47,920)</u>	273,774

An internal service fund is used by management to charge the cost of health insurance activities to individual funds/departments. Assets and liabilities of the internal service funds are not reported in the governmental funds.	17,696
--	--------

Non-current liabilities are not due and payable in
the current period and therefore are not reported
in the governmental funds.

Capital Leases	(93,635)	
Bonds payable	(16,010,000)	
Accrued interest payable	(124,575)	
Compensated absences	<u>(427,587)</u>	<u>(16,655,797)</u>

Net assets of governmental activities \$ 28,809,734

The accompanying notes are an integral part of this financial statement.

CITY OF KENNESAW, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	General	E911	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 11,516,937	\$ -	\$ 2,161,106	\$ 21,226	\$ 13,699,269
Licenses and Permits	335,027	-	-	-	335,027
Intergovernmental	488,255	-	100,000	-	588,255
Fines and Forfeitures	1,438,119	-	-	-	1,438,119
Charges for Services	510,604	853,057	-	30,375	1,394,036
Miscellaneous Income	137,986	-	-	9,013	146,999
Interest Income	640,540	1,944	227,764	4,041	874,289
Contributions and Donations	15,348	-	-	-	15,348
Total Revenues	<u>15,082,816</u>	<u>855,001</u>	<u>2,488,870</u>	<u>64,655</u>	<u>18,491,342</u>
EXPENDITURES					
Current:					
General Government	3,329,729	-	-	14,143	3,343,872
Judicial	344,783	-	-	-	344,783
Public Safety	4,962,699	871,442	-	-	5,834,141
Public Works	2,301,401	-	-	-	2,301,401
Culture and Recreation	1,953,774	-	-	-	1,953,774
Housing and Development	1,155,947	-	-	-	1,155,947
Debt Service:					
Principal	549,465	-	-	-	549,465
Interest	682,385	-	-	-	682,385
Capital Outlay	-	-	5,180,296	26,009	5,206,305
Total Expenditures	<u>15,280,183</u>	<u>871,442</u>	<u>5,180,296</u>	<u>40,152</u>	<u>21,372,073</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(197,367)</u>	<u>(16,441)</u>	<u>(2,691,426)</u>	<u>24,503</u>	<u>(2,880,731)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Capital Assets	18,037	-	-	-	18,037
Proceeds from Capital Leases	143,100	-	-	-	143,100
Transfers - Out	(2,612,272)	-	-	(87,858)	(2,700,130)
Transfers - In	300,000	-	1,722,460	10,480	2,032,940
Total Other Financing Sources (Uses)	<u>(2,151,135)</u>	<u>-</u>	<u>1,722,460</u>	<u>(77,378)</u>	<u>(506,053)</u>
Net Change in Fund Balances	(2,348,502)	(16,441)	(968,966)	(52,875)	(3,386,784)
Fund Balance (Deficit) - Beginning of Year	13,348,128	(544,890)	6,006,570	135,629	18,945,437
Prior Period Adjustment	207,766	33,377	-	-	241,143
Fund Balance (Deficit) - End of Year	<u>\$ 11,207,392</u>	<u>\$ (527,954)</u>	<u>\$ 5,037,604</u>	<u>\$ 82,754</u>	<u>\$ 15,799,796</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF KENNESAW, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Net Change in Fund Balances - Total Governmental Funds \$ (3,386,784)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	6,433,322	
Less current year depreciation	<u>(766,602)</u>	<u>5,666,720</u>

Deferred revenue in the general fund represents property tax billed but uncollected and is eliminated in the statement of net assets. 177,109

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in long-term compensated absences (42,271)

An internal service fund is used by management to charge the cost of employee health insurance to individual funds/departments. Net revenue (expense) of the internal service fund is reported with governmental activities. 19

Issuance of long-term debt (bonds, leases) provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Proceeds from issuance of debt	(143,100)	
Amortization of issuance costs	(14,481)	
Change in accrued interest payable	(5,788)	
Repayment of principal	<u>549,465</u>	<u>386,096</u>

Change in Net Assets of Governmental Activities \$ 2,800,889

The accompanying notes are an integral part of this financial statement.

CITY OF KENNESAW, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts			Variance from Final Budget
	Original	Final	Actual	
REVENUES				
Taxes	\$ 12,163,656	\$ 12,163,656	\$ 11,516,937	\$ (646,719)
Licenses and Permits	596,563	596,563	335,027	(261,536)
Intergovernmental	635,600	635,600	488,255	(147,345)
Fines and Forfeitures	1,666,763	1,666,763	1,438,119	(228,644)
Charges for Services	472,976	472,976	510,604	37,628
Miscellaneous Income	113,833	113,833	137,986	24,153
Interest Income	532,250	532,250	640,540	108,290
Contributions and Donations	6,500	6,500	15,348	8,848
Total Revenues	<u>16,188,141</u>	<u>16,188,141</u>	<u>15,082,816</u>	<u>(1,105,325)</u>
EXPENDITURES				
Current:				
General Government:				
Mayor & Council	475,582	445,582	428,802	16,780
City Manager	702,378	562,740	537,368	25,372
Financial Administration	633,492	633,492	599,408	34,084
Legal and Audit	172,185	325,185	317,795	7,390
Information Technology	1,163,905	1,163,905	1,070,906	92,999
Buildings	367,098	375,598	375,450	148
Total General Government	<u>3,514,640</u>	<u>3,506,502</u>	<u>3,329,729</u>	<u>176,773</u>
Judicial	320,347	345,347	344,783	564
Public Safety:				
Police	3,938,638	4,198,638	4,198,528	110
Corrections	813,367	813,367	764,171	49,196
Total Public Safety	<u>4,752,005</u>	<u>5,012,005</u>	<u>4,962,699</u>	<u>49,306</u>
Public Works	2,336,697	2,336,697	2,301,401	35,296
Culture and Recreation	1,865,357	1,953,857	1,953,774	83
Housing and Development:				
Construction and Inspection	356,859	356,859	342,850	14,009
Planning and Zoning	527,554	527,554	462,191	65,363
Economic Development	361,529	361,529	350,906	10,623
Total Housing and Development	<u>1,245,942</u>	<u>1,245,942</u>	<u>1,155,947</u>	<u>89,995</u>
Debt Service:				
Principal	720,000	549,465	549,465	-
Interest	887,169	833,702	682,385	151,317
Total Debt Service	<u>1,607,169</u>	<u>1,383,167</u>	<u>1,231,850</u>	<u>151,317</u>
Total Expenditures	<u>15,642,157</u>	<u>15,783,517</u>	<u>15,280,183</u>	<u>503,334</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>545,984</u>	<u>404,624</u>	<u>(197,367)</u>	<u>(601,991)</u>
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	-	-	18,037	18,037
Debt Proceeds	-	-	143,100	143,100
Transfers - Out	(3,822,600)	(3,822,600)	(2,612,272)	1,210,328
Transfers - In	550,186	550,186	300,000	(250,186)
Total Other Financing Sources (Uses)	<u>(3,272,414)</u>	<u>(3,272,414)</u>	<u>(2,151,135)</u>	<u>1,121,279</u>
Net Change in Fund Balance	(2,726,430)	(2,867,790)	(2,348,502)	519,288
Fund Balance - Beginning of Year	13,348,128	13,348,128	13,348,128	-
Prior Period Adjustment	207,766	207,766	207,766	-
Fund Balance - End of Year	<u>\$ 10,829,464</u>	<u>\$ 10,688,104</u>	<u>\$ 11,207,392</u>	<u>\$ 519,288</u>

The accompanying notes are an integral part of this financial statement.

CITY OF KENNESAW, GEORGIA
E911 SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
REVENUES				
Charges for Services	\$ 1,054,350	\$ 1,054,350	\$ 853,057	\$ (201,293)
Interest Income	23,833	23,833	1,944	(21,889)
Total Revenues	<u>1,078,183</u>	<u>1,078,183</u>	<u>855,001</u>	<u>(223,182)</u>
EXPENDITURES				
Current:				
Public Safety	913,845	913,845	871,442	42,403
Capital Outlay	-	-	-	-
Total Expenditures	<u>913,845</u>	<u>913,845</u>	<u>871,442</u>	<u>42,403</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>164,338</u>	<u>164,338</u>	<u>(16,441)</u>	<u>(180,779)</u>
OTHER FINANCING SOURCES (USES)				
Transfers - Out	-	-	-	-
Transfers - In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	164,338	164,338	(16,441)	(180,779)
Fund Balance (Deficit) - Beginning of Year	(544,890)	(544,890)	(544,890)	(0)
Prior Period Adjustment	<u>33,377</u>	<u>33,377</u>	<u>33,377</u>	<u>-</u>
Fund Balance (Deficit) - End of Year	<u>\$ (347,175)</u>	<u>\$ (347,175)</u>	<u>\$ (527,954)</u>	<u>\$ (180,779)</u>

The accompanying notes are an integral part of this financial statement.

CITY OF KENNESAW, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2007

	<u>Sanitation</u>	<u>Museum</u>	<u>Arboretum</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 17,235	\$ 83,502	\$ -	\$ 100,737	\$ 398,248
Accounts Receivable - net	192,574	10	-	192,584	-
Prepaid Items	42,593	18,063	134	60,790	-
Due From Other Funds	1,376,451	14,525	-	1,390,976	-
Inventory	-	53,153	-	53,153	-
Total Current Assets	<u>1,628,853</u>	<u>169,253</u>	<u>134</u>	<u>1,798,240</u>	<u>398,248</u>
Non-Current Assets:					
Capital Assets:					
Machinery & Equipment	87,075	357,483	-	444,558	-
Vehicles	821,009	-	-	821,009	-
Buildings & Structures	-	6,233,053	11,723	6,244,776	-
Museum Artifacts	-	118,920	-	118,920	-
Less Accumulated Depreciation	(460,483)	(934,430)	-	(1,394,913)	-
Land	-	7,000	-	7,000	-
Construction in Progress	-	364,595	-	364,595	-
Total Non-Current Assets	<u>447,601</u>	<u>6,146,621</u>	<u>11,723</u>	<u>6,605,945</u>	<u>-</u>
Total Assets	<u>\$2,076,454</u>	<u>\$6,315,874</u>	<u>\$ 11,857</u>	<u>\$ 8,404,185</u>	<u>\$ 398,248</u>

The accompanying notes are an integral part of this financial statement.

CITY OF KENNESAW, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2007

	<u>Sanitation</u>	<u>Museum</u>	<u>Arboretum</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
Liabilities					
Current Liabilities:					
Accounts Payable	\$ 75,397	\$ 6,826	\$ 385	\$ 82,608	\$ -
Bank Overdraft	-	-	6,992	6,992	-
Accrued Wages and Withholdings Payable	13,429	9,966	290	23,685	-
Due to Other Funds	-	2,903,448	34,413	2,937,861	380,552
Customer Deposits	198,468	-	-	198,468	-
Retainage Payable	-	25,569	-	25,569	-
Notes Payable	-	230,000	-	230,000	-
Leases Payable	<u>38,970</u>	<u>-</u>	<u>-</u>	<u>38,970</u>	<u>-</u>
Total Current Liabilities	<u>326,264</u>	<u>3,175,809</u>	<u>42,080</u>	<u>3,544,153</u>	<u>380,552</u>
Noncurrent Liabilities:					
Compensated Absences Payable	16,215	20,363	-	36,578	-
Leases Payable	84,603	-	-	84,603	-
Note Payable	<u>-</u>	<u>4,540,000</u>	<u>-</u>	<u>4,540,000</u>	<u>-</u>
Total Noncurrent Liabilities	<u>100,818</u>	<u>4,560,363</u>	<u>-</u>	<u>4,661,181</u>	<u>-</u>
Total Liabilities	<u>427,082</u>	<u>7,736,172</u>	<u>42,080</u>	<u>8,205,334</u>	<u>380,552</u>
Net Assets					
Invested in Capital Assets, net of related debt	324,028	1,376,621	11,723	1,712,372	-
Unrestricted	<u>1,325,344</u>	<u>(2,796,919)</u>	<u>(41,946)</u>	<u>(1,513,521)</u>	<u>17,696</u>
Total Net Assets	<u>\$ 1,649,372</u>	<u>\$ (1,420,298)</u>	<u>\$ (30,223)</u>	<u>\$ 198,851</u>	<u>\$ 17,696</u>

The accompanying notes are an integral part of this financial statement.

CITY OF KENNESAW, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Sanitation	Museum	Arboretum	Total	Governmental Activities - Internal Service Fund
Operating Revenues					
Charges for Services	\$ 2,172,342	\$ 347,737	\$ 1,827	\$ 2,521,906	\$ 2,073,119
Fees	37,750	-	-	37,750	-
Other Revenues	55,515	51,687	-	107,202	-
Total Operating Revenues	<u>2,265,607</u>	<u>399,424</u>	<u>1,827</u>	<u>2,666,858</u>	<u>2,073,119</u>
Operating Expenses					
Cost of Sales and Services	1,713,395	1,160,025	117,368	2,990,788	263,154
Claims	-	-	-	-	1,818,488
Depreciation Expense	88,033	188,966	-	276,999	-
Total Operating Expenses	<u>1,801,428</u>	<u>1,348,991</u>	<u>117,368</u>	<u>3,267,787</u>	<u>2,081,642</u>
Operating Income (Loss)	<u>464,179</u>	<u>(949,567)</u>	<u>(115,541)</u>	<u>(600,929)</u>	<u>(8,523)</u>
Nonoperating Revenues (Expenses)					
Interest Revenue	4,953	690	459	6,102	8,504
Interest Expense	(8,540)	(218,624)	-	(227,164)	-
Total Nonoperating Revenues (Expenses)	<u>(3,587)</u>	<u>(217,934)</u>	<u>459</u>	<u>(221,062)</u>	<u>8,504</u>
Income Before Contributions, Special Items and Transfers	<u>460,592</u>	<u>(1,167,501)</u>	<u>(115,082)</u>	<u>(821,991)</u>	<u>(19)</u>
Other Financing Sources (Uses)					
Capital Contributions	-	269,576	600	270,176	-
Transfers	(300,000)	882,932	84,259	667,191	-
Total Other Financing Sources (Uses)	<u>(300,000)</u>	<u>1,152,508</u>	<u>84,859</u>	<u>937,367</u>	<u>-</u>
Change in Net Assets	160,592	(14,993)	(30,223)	115,376	(19)
Net Assets - Beginning	<u>1,488,780</u>	<u>(1,405,305)</u>	<u>-</u>	<u>83,475</u>	<u>17,715</u>
Net Assets - Ending	<u>\$ 1,649,372</u>	<u>\$ (1,420,298)</u>	<u>\$ (30,223)</u>	<u>\$ 198,851</u>	<u>\$ 17,696</u>

The accompanying notes are an integral part of this financial statement.

CITY OF KENNESAW, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Business-type Activities - Enterprises Funds</u>				<u>Governmental Activities - Internal Service Fund</u>
	<u>Sanitation</u>	<u>Museum</u>	<u>Arboretum</u>	<u>Total</u>	
Cash Flows From Operations					
Receipts from Customers and Users	\$ 2,332,296	\$ 399,434	\$ 1,827	\$ 2,733,557	\$ 2,073,119
Payments to Suppliers	(637,573)	(531,502)	(106,902)	(1,275,977)	(2,081,642)
Payments to/for Employees	(1,023,999)	(615,502)	(9,925)	(1,649,426)	-
Net Cash Provided by (Used by) Operating Activities	<u>670,724</u>	<u>(747,570)</u>	<u>(115,000)</u>	<u>(191,846)</u>	<u>(8,523)</u>
Cash Flows from Noncapital Financing Activities					
Payments from Other Funds	-	1,318,198	106,949	1,425,147	204,470
Payments to Other Funds	(601,033)	(8,336)	-	(609,369)	-
Net Cash from Noncapital Financing Activities	<u>(601,033)</u>	<u>1,309,862</u>	<u>106,949</u>	<u>815,778</u>	<u>204,470</u>
Cash Flows from Capital and Related Financing Activities					
Principal Payments - Leases	(64,266)	-	-	(64,266)	-
Principal Payments - Notes Payable	-	(220,000)	-	-	-
Capital Contributions	-	269,576	600	270,176	-
Acquisition and Construction of Capital Assets	-	(312,795)	-	(312,795)	-
Interest Paid	(8,540)	(218,624)	-	(227,164)	-
Net Cash from Capital and Related Financing Activities	<u>(72,806)</u>	<u>(481,843)</u>	<u>600</u>	<u>(334,049)</u>	<u>-</u>
Cash Flows from Investing Activities					
Interest Received	<u>4,953</u>	<u>690</u>	<u>459</u>	<u>6,102</u>	<u>8,504</u>
Net Increase (Decrease) in Cash	1,838	81,139	(6,992)	75,985	204,451
Cash (Overdraft) - October 1 (including restricted cash)	<u>15,397</u>	<u>2,363</u>	<u>-</u>	<u>17,760</u>	<u>193,797</u>
Cash (Overdraft) - September 30 (including restricted cash)	<u>\$ 17,235</u>	<u>\$ 83,502</u>	<u>\$ (6,992)</u>	<u>\$ 93,745</u>	<u>\$ 398,248</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating Income (Loss)	\$ 464,179	\$ (949,567)	\$ (115,541)	\$ (600,929)	\$ (8,523)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation	88,033	188,966	-	276,999	-
(Increase) Decrease in Assets:					
Accounts Receivable	57,545	(10)	-	57,535	-
Prepaid Items	(4,026)	(689)	(134)	(4,849)	-
Inventory	-	4,878	-	4,878	-
Increase (Decrease) in Liabilities:					
Accounts Payable	53,658	(15,566)	385	38,477	-
Accrued Wages and Withholdings Payable	953	449	290	1,692	-
Compensated Absences Payable	1,238	(1,600)	-	(362)	-
Retainage Payable	-	25,569	-	25,569	-
Customer Deposits	9,144	-	-	9,144	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ 670,724</u>	<u>\$ (747,570)</u>	<u>\$ (115,000)</u>	<u>\$ (191,846)</u>	<u>\$ (8,523)</u>

The accompanying notes are an integral part of this financial statement.

CITY OF KENNESAW, GEORGIA
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Sanitation	Museum	Arboretum	Total	Governmental Activities - Internal Service Fund
Noncash Investing, Capital and Financing Activities					
Vehicles	\$ (85,000)	\$ -	\$ -	(85,000)	\$ -
Accumulated Depreciation	85,000	-	-	85,000	-
Buildings and Improvements	-	-	11,723	11,723	-
Due to Other Funds	-	-	(11,723)	(11,723)	-
Net Cash from Noncash Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kennesaw was incorporated in 1887. The City operates under an elected mayor and council who appoint a city manager. The City provides the following services: public safety (police and fire), culture and recreation, highways and streets, public utilities (sanitation), public improvements and general and administrative services.

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements present the primary government and its component units. Certain potential component units might be considered for inclusion in the financial report because of the significance of the City's influence over their operation or finances. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The discretely presented component units described below are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government:

Kennesaw Downtown Development Authority:

The Authority was created July 5, 1995 for the purpose of revitalizing and redeveloping the central business district of the City of Kennesaw. The Authority's Board consists of seven members from the community and is appointed by the City Council. The Authority is financially dependent on the City for funding and the City must approve any debt issuances. The Authority has a September 30 year-end and is presented as a governmental fund type.

Complete financial statements are available at City Hall.

Kennesaw Development Authority:

The Authority was created July 5, 1995 for the purpose of vitalizing and developing the business districts of the City of Kennesaw. The Authority's Board consists of five members from the community and is appointed by the City Council. The Authority is financially dependent on the City for funding and the City must approve any debt issuances. The Authority has a September 30 year-end and is presented as a governmental fund type.

Complete financial statements are available at City Hall.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements, each of which present different views of the City. The government-wide and fund financial statements categorize primary activities as either governmental or business type.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, permits and fines, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Fund financial statements emphasize major funds in either the governmental, proprietary and fiduciary (if any) funds. Non-major funds (if any) are reported as a separate column in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City applies all relevant FASB pronouncements and APB opinions issued on or prior to December 1, 1989 to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City does not apply FASB pronouncement and APB opinions issued after November 30, 1989.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Taxes, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives the cash. In applying the susceptible to accrual concept, nonexchange transactions are recognized in accordance with GASB Statement 33.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

Amounts reported as program revenues include charges to customers for good, services or privileges provided, operating grants and contributions, and capital grants and contributions, including any special assessments. General revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and unrestricted as needed.

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

D. Fund Types and Major Funds

Governmental Funds

The general, E911 special revenue and capital project funds are the major governmental funds that the City reports. The general fund is the primary fund of the City and accounts for all financial resources not reported in other funds. The E911 special revenue fund accounts for the proceeds of revenue sources that are legally restricted to specific purposes. The capital projects fund accounts for the acquisition and construction of major capital assets other than those accounted for by proprietary funds.

Proprietary Funds

Proprietary funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is intended to be self-supporting. The City reports the museum, arboretum, and sanitation funds as major funds. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services.

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Internal Service Fund

An internal service fund accounts for risk management activities of the City on a cost reimbursement basis. The internal service fund is a proprietary fund reported with governmental activities in the government-wide statements.

E. Assets, Liabilities, Net Assets or Equity

1. **Cash.** Cash includes amounts in demand and time deposits that by law must be insured or collateralized. Investments, if any, are limited by law and bond ordinances to federal and state securities.
2. **Receivables.** All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the enterprise funds are recognized at the end of each year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.
3. **Due To and Due From Other Funds/Internal Balances.** During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered or interfund loans. Interfund transactions are recorded by all funds affected in the period in which transactions are executed. In the government-wide financial statements, these balances are reported as internal balances.
4. **Interest Receivable.** Interest on investments and certain receivables is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.
5. **Inventories.** Inventories for all governmental funds are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of the respective fund and accounted for using the purchases method. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets. Inventories of proprietary funds are valued at the lower of cost (first-in, first-out) or market.

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

6. **Prepays.** Prepays represent the amount paid for services that will benefit periods beyond the current period.
7. **Restricted Assets.** Restricted assets represent assets which are subject to either externally imposed restrictions by creditors, grantors, or laws or regulations of other governments, or are restricted due to law through constitutional provisions or enabling legislation. General Fund restricted assets consist of cash restricted for construction and law enforcement. The Capital Projects Fund restricted assets consist of cash restricted for capital improvements.
8. **Capital Assets.** The City's property, buildings, equipment and infrastructure (streets, bridges, curbs, sidewalks, drainage systems, lighting system, etc) with useful lives of more than one year and a cost greater than one thousand dollars are capitalized and depreciated. These assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. Interest expense (net of related income) incurred during the construction phase of business-type capital assets is capitalized as part of the assets' cost.

Capital assets are depreciated using the straight-line method. When these assets are disposed, the cost and related accumulated depreciation are removed from the accounts and the resulting gain/loss is recorded.

The City's infrastructure are acquisitions of general infrastructure assets made after the implementation of GASB 34 on June 15, 2003.

Estimated useful lives used to compute depreciation are:

Infrastructure	30 years
Equipment	5-10 years
Buildings	30-40 years

9. **Long-term Debt.** Outstanding debt and other obligations are reported as a liability in the applicable government-wide and proprietary fund financial statements. Bond issuance costs are deferred and amortized over the term of the bonds. In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. Issuance costs are reported as debt service expenditures.
10. **Pensions.** The provision for pension cost is recorded on the accrual basis, and the City's policy is to fund pension costs as they accrue.
11. **Compensated Absences.** Full-time, permanent employees are granted vacation and sick leave benefits. Vested or accumulated vacation leave is accrued in the government-wide and proprietary financial statements and governmental funds report only the portion expected to be liquidated within the current year. The accrued liability is reported in the respective fund that is responsible for the employee's compensation and amounts are also paid from that respective fund. No liability is reported for non-vesting accumulating rights to receive sick leave.
12. **Fund Equity/Net Assets.** The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally segregated for a specific use.

Unrestricted net assets for proprietary funds represent the net assets available for future operations or distribution. Restricted net assets represent the net assets that have been legally identified for specific purposes.

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data. Formal budgetary accounting is employed as management control for all governmental funds of the City. Department heads submit their annual budget requests to the City Manager, who in turn compiles and submits the budget to the Mayor and City Council. Public hearings are conducted to obtain taxpayer comments. By October 1, an annual operating budget is adopted for the general and special revenue funds through passage of an annual budget ordinance and amended as required. The budget uses the same basis of accounting to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting basis. The appropriated budget is prepared by fund, function and department. The City Manager may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Mayor and City Council. The legal level of budgeting control is the department level. The governing council made several supplemental budgetary appropriations throughout the year but they were not considered material. All appropriations lapse at the end of each fiscal year. The City also adopts a project length operating budget for its capital project funds.

Deposits with Financial Institutions. State statutes require that the City's deposits be collateralized by securities held in the name of the City by the trust department of a bank that does not hold the collateralized deposits.

NOTE 3. CASH AND INVESTMENTS

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit. Investments are stated at fair value (the City has no investments other than cash.) At year-end, the book balance of the City's deposits was \$15,181,439, including restricted cash of \$6,242,787, and the bank balance was \$ 15,816,172. The bank balance is insured or collateralized by securities held by the City or by its agent in the City's name (category 1).

Reconciliation of enterprise fund cash per combined balance sheet to cash (and cash equivalents-investments) per combined statement of cash flows as of September 30, 2007:

Statement of Net Assets:	
Cash	\$ 100,737
Bank Overdraft	<u>(6,992)</u>
Total cash and investments	<u>\$ 93,745</u>
Cash consists of the following:	
Cash on hand	\$ 2,100
Cash deposits in financial institutions	<u>91,645</u>
Total cash	<u>\$ 93,745</u>

Interest Rate Risk

Interest rate risk is the risk a government may face should changes in interest rates affect the fair value of its investments. The City does not have a formal policy that addresses interest rate risk. At September 30, 2007, the City had the following investments subject to interest rate risk:

Investment Type	Fair Value	Investment Maturities (in years)			
		<1	<1-5	<6-10	>10
U.S. Government Agency Obligations	<u>\$ 8,842,707</u>	-	-	-	<u>\$ 8,842,707</u>
Total	<u>\$ 8,842,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,842,707</u>

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This can be measured by the assignment of a rating by a rating organization. The City does not have a formal policy that addresses credit risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. Government agency obligations	\$ 8,842,707	AAA

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the City may not be able to recover the value of its investments.

There is no custodial credit risk exposure for the City's investments because they are either insured or held in the City's name by the custodian.

NOTE 4. RECEIVABLES

Business-type accounts receivable consists of amounts due from customers for charges related to providing sanitation services. General fund accounts receivables consist of franchise and insurance premium tax receivable and fines. Taxes due consists of property tax and hotel/motel tax. E911 accounts receivables represent fees charged for 911 service. Capital projects accounts receivable represent amounts due from the State of Georgia for reimbursement of costs associated with the construction of an underpass of a railroad line. Amounts due as of September 30, 2007, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>E911</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Business-type</u>	<u>Total</u>
Receivables:						
Accounts	\$ 1,281,022	\$ 221	\$ 418,742	\$ --	\$ 250,905	\$ 1,950,890
Taxes	<u>254,299</u>	<u>--</u>	<u>400,913</u>	<u>8,840</u>	<u>--</u>	<u>664,052</u>
Total	1,535,321	221	819,655	8,840	250,905	2,614,942
Less: Allowance for Uncollectible	<u>(24,352)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(58,321)</u>	<u>(82,673)</u>
Net Total Receivables	<u>\$ 1,510,969</u>	<u>\$ 221</u>	<u>\$ 819,655</u>	<u>\$ 8,840</u>	<u>\$ 192,584</u>	<u>\$ 2,532,269</u>

Property Tax

Property tax is levied upon receipt of the digest from Cobb County and based upon the assessed value at January 1. For Fiscal Year 2007, taxes were levied October 2, 2006 and due by December 2, 2006. The billings are considered past due 60 days after the tax billing date, at which time the applicable property is subject to lien and penalties and interest begins to accrue. Assessed values are established by the Cobb County Board of Tax Assessors and are currently calculated at 40% of market value.

All property taxes are recognized in compliance with NCGAI-3 (Revenue Recognition-Property Taxes) which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 60 days after the close of the current period.

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from other funds:

Outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services, goods, short-term non-operating subsidies and other miscellaneous transactions between funds. This activity is similar to lending/borrowing arrangements and outstanding balances at year-end are presented as "due/to from other funds". Balances between governmental or proprietary funds are netted when presented in the government-wide statements and reported as "internal balances". As of September 30, 2007, interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Museum	\$ 2,780,922
	E911	704,387
	Capital Projects	451
	Internal Service Fund	293,721
	Arboretum	22,690
	Hotel/Motel	3,907
Impact Fees	General	9,798
Sanitation	General	1,319,696
	Internal Service Fund	44,755
	Museum	12,000
Capital Projects	Museum	110,526
	General	307,103
	Arboretum	11,723
911 Fund	General	68,524
	Internal Service Fund	27,551
Museum Fund	Internal Service Fund	<u>14,525</u>
		<u>\$ 5,732,279</u>

Transfers and payments:

Routine transfers and payments between funds are to subsidize operations, fund capital projects, pay for capital asset acquisition and to re-allocate special revenues. As of September 30, 2007, inter-fund transfers were as follows:

Between Governmental and Business-type funds:

<u>Source Fund</u>	<u>Transfer to Fund</u>	<u>Amount</u>
General	Museum	\$ 868,667
	Arboretum	84,259
Sanitation	General	300,000

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

Hotel Motel Fund	Museum	14,265
Total		<u>\$ 1,267,191</u>

Between Governmental Funds:

<u>Source Fund</u>	<u>Transfer to Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 1,648,867
	Cemetery	10,480
Impact Fees	Capital Projects Fund	<u>73,593</u>
Totals		<u>\$ 1,732,940</u>

NOTE 6. CAPITAL ASSETS

The following table provides a summary of the City's capital asset activity:

Primary Government

	Balance October 1, 2006	Additions	Transfer/ Deletion/ Donations	Balance September 30, 2007
<u>Governmental activities:</u>				
<i>Capital assets, not being depreciated</i>				
Land and improvements	\$ 11,115,413	\$ 1,281,477	\$ --	\$ 12,396,890
Park land and improvements	2,351,943	5,300	--	2,357,243
Construction in progress	<u>1,302,352</u>	<u>1,838,408</u>	<u>--</u>	<u>3,140,760</u>
Total capital assets not being depreciated	<u>14,769,708</u>	<u>3,125,185</u>	<u>--</u>	<u>17,894,893</u>
<i>Capital assets, being depreciated</i>				
Infrastructure	880,734	1,295,865	--	2,176,599
Buildings and improvements	7,634,189	793,807	--	8,427,996
Machinery and equipment	<u>5,488,474</u>	<u>1,218,465</u>	<u>(7,000)</u>	<u>6,699,939</u>
Total capital assets being depreciated	<u>14,003,397</u>	<u>3,308,137</u>	<u>(7,000)</u>	<u>17,304,534</u>
Less accumulated depreciation for:				
Infrastructure	127,616	85,046	--	212,662
Buildings and improvements	1,908,560	270,360	--	2,178,920
Machinery and equipment	<u>3,206,494</u>	<u>411,196</u>	<u>(7,000)</u>	<u>3,610,690</u>
Total accumulated depreciation	<u>5,242,670</u>	<u>766,602</u>	<u>(7,000)</u>	<u>6,002,272</u>
Total capital assets being depreciated, net	<u>8,760,727</u>	<u>2,541,535</u>	<u>--</u>	<u>11,302,262</u>
Governmental activities capital assets, net	<u>\$ 23,530,435</u>	<u>\$ 5,666,720</u>	<u>\$ --</u>	<u>\$ 29,197,155</u>

Additions to capital assets consist of General fund of \$1,226,745, Capital Projects fund \$5,180,568, Impact fees fund \$4,285 and Cemetery fund \$21,724.

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

	Balance October 1, 2006	Additions	Transfers	Balance September 30, 2007
Business-type activities:				
<i>Capital assets, not being depreciated</i>				
Land	\$ 7,000	\$ --	\$ --	\$ 7,000
Construction in progress	<u>71,307</u>	<u>293,288</u>	<u>--</u>	<u>364,595</u>
Total capital assets not being depreciated	<u>78,307</u>	<u>293,288</u>	<u>--</u>	<u>371,595</u>
<i>Capital assets, being depreciated</i>				
Buildings and structures	6,233,053	--	11,723	6,244,776
Museum artifacts	113,623	5,297	--	118,920
Vehicles	906,009	--	(85,000)	821,009
Machinery and equipment	<u>430,348</u>	<u>14,210</u>	<u>--</u>	<u>444,558</u>
Total capital assets being depreciated	<u>7,683,033</u>	<u>19,507</u>	<u>(73,277)</u>	<u>7,629,263</u>
Less accumulated depreciation for:				
Buildings and structures	632,261	155,826	--	788,087
Museum artifacts	2,658	2,387	--	5,045
Vehicles	440,034	79,326	(85,000)	434,360
Machinery and equipment	<u>127,961</u>	<u>39,460</u>	<u>--</u>	<u>167,421</u>
Total accumulated depreciation	<u>1,202,914</u>	<u>276,999</u>	<u>(85,000)</u>	<u>1,394,913</u>
Total capital assets being depreciated, net	<u>6,480,119</u>	<u>(257,492)</u>	<u>11,723</u>	<u>6,234,350</u>
Business-type activities capital assets, net	<u>\$ 6,558,426</u>	<u>\$ 35,795</u>	<u>\$ 11,723</u>	<u>\$ 6,605,945</u>

The additions to capital assets were as follows: Museum \$312,795. A non-cash transfer to the Smith/Gilbert Arboretum was made in the amount of \$11,723.

Depreciation expense was charged to function/programs of the government as follows:

Governmental activities:

General Government	\$ 177,972
Public Safety	198,325
Public Works	187,009
Culture and Recreation	185,992
Housing and Development	7,051
Judicial	10,253
Total depreciation expense	<u>\$ 766,602</u>

Business-type activities:

Museum	\$ 188,966
Sanitation	88,033
Total depreciation expense	<u>\$ 276,999</u>

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

Component Unit

The following is a summary of changes in capital assets for the fiscal year ending September 30, 2007:

	Balance October 1, 2006	Additions	Deletions	Balance September 30, 2007
<u>Kennesaw Downtown Development Authority:</u>				
<i>Capital assets, not being depreciated</i>				
Land and improvements	\$ 210,000	\$ ---	\$ ---	\$ 210,000
Total capital assets not being depreciated	<u>210,000</u>	<u>---</u>	<u>---</u>	<u>210,000</u>
<i>Capital assets, being depreciated</i>				
Buildings and improvements	<u>100,000</u>	<u>19,700</u>	<u>---</u>	<u>119,700</u>
Total capital assets being depreciated	<u>100,000</u>	<u>19,700</u>	<u>---</u>	<u>119,700</u>
Less accumulated depreciation for:				
Buildings and improvements	<u>(3,611)</u>	<u>(3,333)</u>	<u>---</u>	<u>(6,944)</u>
Total accumulated depreciation	<u>(3,611)</u>	<u>(3,333)</u>	<u>---</u>	<u>(6,944)</u>
Total capital assets being depreciated, net	<u>96,389</u>	<u>16,367</u>	<u>---</u>	<u>112,756</u>
Governmental activities capital assets, net	<u>\$ 306,389</u>	<u>\$ 16,367</u>	<u>\$ ---</u>	<u>\$ 322,756</u>

NOTE 7. LEASES

Operating Leases. The City leases copy machines under non-cancelable operating leases. The total cost for such leases was \$16,554 for the year ending September 30, 2007. The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30</u>	<u>General Fund</u>
2008	\$ 26,568
2009	26,568
2010	<u>24,354</u>
Totals	<u>\$ 77,490</u>

Capital Leases. The City is obligated under capital lease agreements for general fund and sanitation equipment. The general fund equipment (police vehicles) leases bear interest rates at 4.32% and 4.47%. The sanitation equipment leases bear interest rates at 4.71% and 4.57%. If the leases are paid in full, the title to the property is transferred to the City. The City's equipment under lease has a cost of \$434,765 with accumulated depreciation of \$19,420. The following are schedules of the future minimum lease payments under capital leases, and the present value of the net minimum lease payments at September 30, 2007:

<u>Year Ending September 30</u>	<u>Sanitation Fund</u>
2008	\$ 38,970
2009	38,970
2010	38,970
2011	<u>19,999</u>

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

Minimum lease payments for all capital leases	136,909
Less Interest	<u>(13,336)</u>
Present value of minimum lease payments	<u>\$ 123,573</u>

<u>Year Ending September 30</u>	<u>General Fund</u>
2008	\$ 49,904
2009	<u>49,904</u>
Minimum lease payments for all capital leases	99,808
Less Interest	<u>(6,173)</u>
Present value of minimum lease payments	<u>\$ 93,635</u>

NOTE 8. LONG-TERM DEBT

Debt outstanding as of September 30, 2007 is composed of the following:

A. Primary Government

Governmental Activities

<i>General Obligation Bonds</i>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Date of Last Payment</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General Fund- 2004 Bond Issue	4.12%	11-10-04	02-01-29	9,000,000	\$ 8,485,000
- Recreation & Public Works					
General Fund- 2005 Bond Issue	4.12%	01-12-05	02-01-29	6,000,000	<u>5,755,000</u>
- Recreation & Public Works					
Total					<u>\$ 14,240,000</u>

The following schedule presents debt service requirements to maturity for general obligation bonds:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 395,000	\$ 578,551
2009	405,000	562,071
2010	425,000	544,973
2011	435,000	527,257
2012	455,000	508,923
2013-2017	2,585,000	2,240,559
2018-2022	3,270,000	1,641,408
2023-2027	4,230,000	874,058
2028-2029	<u>2,040,000</u>	<u>85,078</u>
Total	<u>\$ 14,240,000</u>	<u>\$ 7,562,878</u>

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

<i>Revenue Bonds</i>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Date of Last Payment</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General Fund-2003 Urban Renewal Bonds-City Hall Expansion	3.95%	10-29-03	1-01-19	\$ 2,100,000	<u>\$1,770,000</u>

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 120,000	\$ 67,545
2009	125,000	62,706
2010	125,000	57,769
2011	130,000	52,733
2012	140,000	47,400
2013-2017	775,000	148,619
2018-2019	<u>355,000</u>	<u>14,121</u>
	<u>\$ 1,770,000</u>	<u>\$ 450,893</u>

Tax Anticipation Note: The City issued a tax anticipation note in the amount of \$1,652,357 on July 31, 2007. The note bears interest at a rate of 7.5% and matures on 12/31/07. As of September 30, 2007, accrued interest on the note totaled \$15,141.

Business-type Activities

<i>Notes payable</i>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Date of Last Payment</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Museum-Facility expansion	4.48%	11-01-01	12-01-21	\$4,990,000	<u>\$ 4,770,000</u>

Notes payable debt service requirements to maturity are presented below:

<u>Year ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 230,000	\$ 208,544
2009	240,000	198,016
2010	250,000	187,040
2011	260,000	175,616
2012	275,000	163,632
2013-2017	1,560,000	618,688
2018-2022	<u>1,955,000</u>	<u>226,800</u>
Totals	<u>\$ 4,770,000</u>	<u>\$ 1,778,336</u>

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

The following is a summary of the City's long-term debt transactions for the year ended September 30, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Governmental activities:					
Compensated Absences	\$ 385,102	\$ 311,094	\$ 268,609	\$ 427,587	\$ -
Capital Leases	-	143,100	49,465	93,635	45,817
Tax Anticipation Note	-	1,652,357	--	1,652,357	1,652,357
General Obligation Bonds	14,625,000	-	385,000	14,240,000	395,000
Revenue Bonds Payable	<u>1,885,000</u>	<u>-</u>	<u>115,000</u>	<u>1,770,000</u>	<u>120,000</u>
Total Governmental Funds	<u>\$ 16,895,102</u>	<u>\$ 2,106,551</u>	<u>\$ 818,074</u>	<u>\$ 18,183,579</u>	<u>\$ 2,213,174</u>
Business-type activities:					
Compensated Absences	\$ 41,088	\$ 43,257	\$ 47,767	\$ 36,578	\$ -
Notes Payable	4,990,000	-	220,000	4,770,000	230,000
Capital Leases	<u>187,838</u>	<u>-</u>	<u>64,266</u>	<u>123,572</u>	<u>38,970</u>
Total Business-type activities	<u>\$ 5,218,926</u>	<u>\$ 43,257</u>	<u>\$ 332,033</u>	<u>\$ 4,930,150</u>	<u>\$ 268,970</u>

Compensated absence liabilities are liquidated within the fund in which they are accrued.

B. Component Unit

<i>Revenue Bonds</i>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Date of Last Payment</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Kennesaw Downtown Development Authority Revenue Bonds	4.48%	11-01-01	12-01-21	\$ 4,990,000	<u>\$ 4,770,000</u>

The following schedule presents debt service requirements to maturity for revenue bonds:

<u>Year ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 230,000	\$ 208,544
2009	240,000	198,016
2010	250,000	187,040
2011	260,000	175,616
2012	275,000	163,632
2013-2017	1,560,000	618,688
2018-2022	<u>1,955,000</u>	<u>226,800</u>
Totals	<u>\$ 4,770,000</u>	<u>\$ 1,778,336</u>

The Authority issued the Kennesaw Downtown Development Authority Revenue Bonds, Series 2001 (Museum Project) for the purpose of expanding the Southern Museum of Civil War and Locomotive History. The net proceeds from the bonds were loaned to the Museum for facilities expansion. The City entered into a contract with the Kennesaw Downtown Development Authority whereby the City will pay to the bond trustee

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

an amount sufficient to pay the annual debt service on the bonds when the Authority's revenues are not sufficient to make the required payments.

<i>Notes payable</i>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Date of Last Payment</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Kennesaw Downtown Development Authority					
Note payable-real estate purchase	6.50%	9-2005	10-2020	\$200,000	<u>\$ 183,908</u>

Notes payable debt service requirements to maturity are presented below:

	<u>Component Unit</u>	
<u>Year ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 9,224	\$ 11,683
2009	9,842	11,065
2010	10,501	10,406
2011	11,204	9,702
2012	11,955	8,952
2013-2017	72,910	31,623
2018-2021	<u>58,272</u>	<u>6,191</u>
Totals	<u>\$ 183,908</u>	<u>\$ 89,622</u>

NOTE 9. PENSION PLAN

Plan Description. The City has a non-contributory defined benefit plan covering all full time employees. The plan was established by the City and the authority to amend or discontinue the plan is assigned to the City. The plan, the City of Kennesaw Retirement Plan, is administered by the Georgia Municipal Employees Benefit System (GMEBS) a statewide, agent multiple employer defined benefit plan. GMEBS policy direction and oversight for the fund is provided by a 15 member board comprised of elected and appointed municipal officials from among the fund's membership. GMEBS handles all administrative and investment functions relative to the plan. The plan provides pension benefits and death and disability benefits for all employees that have been employed full time for one year and employees are vested after 10 years of service. Elected officials have no waiting period for eligibility. Members may retire at age 65 with 5 years of service or at age 55 with 10 years of service. Benefits are calculated at 1.0% to 2.0% of the average monthly earnings for the period of the five highest years prior to retirement.

The Georgia Municipal Employees Benefit System issues a publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by contacting the Georgia Municipal Employees Benefit System, C/O Georgia Municipal Association – Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Funding Policy and Pension Cost

The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. The recommended contribution meets the guidelines for calculating an annual required contribution as set forth in GASB Statement No. 27. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982, and the current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

On the basis of current valuation dated January 1, 2007, it was determined that the contribution rate is 8.35% of covered payroll.

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). According to the actuarial valuation on January 1, 2007, the estimated minimum annual contribution under these funding standards is \$509,514. The employer contributes the recommended contribution developed under the actuarial funding policy each year, so it meets or exceeds the requirements of this law.

The recommended contribution to the plan for the year ended January 1, 2006, was \$494,933 (\$0 employee and \$494,933 employer; 0% and 8.6% of covered payroll respectively) and was made in accordance with contribution requirements determined by an actuarial valuation as of January 1, 2006. The City's covered payroll for eligible employees was \$5,752,472. Based upon the actuarial valuation of January 1, 2007, the recommended contribution for the coming year is \$509,420 which is 8.35% of covered payroll of \$6,100,617.

Funded Status

GASB No. 27 requires disclosure of the City's annual pension cost, percentage of annual percentage cost contributed and net pension obligation for the most recent three years.

Three-Year Trend Information

<u>Year Ending</u>	<u>Employer Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net (EOY) Pension Obligation</u>
2007	\$ 509,420	100%	0
2006	494,933	100%	0
2005	434,383	100%	0

Schedule of Funding Progress

<u>Actuarial Valuation For Plan Year Ending 1/1</u>	<u>(1) Actuarial Value of Assets</u>	<u>(2) Actuarial Accrued Liability</u>	<u>(3) Unfunded Actuarial Accrued Liability (Excess) (2) - (1)</u>	<u>(4) Funded Ratio (1) / (2)</u>	<u>(5) Covered Payroll</u>	<u>(6) Unfunded Actuarial Accrued Liability as % Of Covered Payroll (3) / (5)</u>
2007	\$ 4,510,096	\$ 5,806,717	\$ 1,296,621	77.7%	\$ 6,100,617	21.3%
2006	3,810,926	5,304,099	1,493,173	71.9%	5,752,472	26.0%
2005	3,266,730	4,683,957	1,417,227	69.7%	5,332,090	26.6%

Significant Actuarial Assumptions

The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standard of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

The significant actuarial assumptions used in the current valuation are:

Rate of Return on Investment	8.0% per year
Projected Salary Increase for Inflation	5.0% per year
Merit or Seniority	0.5% per year
Postretirement Benefit Increases	Not Applicable

Economic Assumptions

Annual Rates of Increase in Salaries	5.5%
Future Social Security Wage Bases	5.5%
Cost of Living Adjustment	Not Applicable

Actuarial Methods

Normal Cost and Actuarial Accrued Liability	Projected Unit Credit
Amortization method	Level Dollar

Actuarial Value of Assets	Sum of actuarial value at beginning of year and the cash flow during year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
---------------------------	--

Since the prior valuation, the administrative expense formula has been changed from \$5,000 plus \$50 per participant, plus .05% of the market value of assets plus an additional \$35 per active employee for administration of employee contributions to \$7,000 plus \$65 per participant, plus .05% of the market value of assets plus an additional \$35 per active employee for administration of employee contributions.

As of January 1, 2007, the plan membership includes the following categories of participants:

Retirees and beneficiaries currently receiving benefits	27
Terminated employees entitled to benefits but not yet receiving them	26
Vested active participants	39
Nonvested participants	<u>127</u>
Total	<u>219</u>

NOTE 10. POST EMPLOYMENT HEALTH CARE BENEFITS

In accordance with a local ordinance enacted by the City Council, the City provides certain health care benefits for retired employees. Employees that retire under the rule of 70 (age plus years of service equal to 70) are eligible for these benefits. At September 30, 2007 there were 7 retirees eligible for benefits. The cost of retiree health care benefits is recognized as an expense as claims are incurred. For fiscal year 2007 those costs totaled \$12,723.

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

NOTE 11. DEFICIT FUND EQUITY

At year-end, the E911 fund had a deficit fund balance of \$527,954. The City plans to finance this deficit by revenues generated by this fund and continued transfers from the general fund.

NOTE 12. RISK MANAGEMENT/EMPLOYEE HEALTH INSURANCE

At year-end there were no legal actions taken by or against the City that would have an adverse effect on the City's financial condition. The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has joined with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for its property and liability insurance, and the Worker's Compensation Self-Insurance Fund (WCSIF) for injuries to employees. Both are public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, cooperate with the pools' agents and attorneys, follow loss reduction procedures established by the funds and to promptly report all incidents which could result in the funds being required to pay any claim for loss. The City is also to allow the pools' agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect its members against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost imposed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

During the past three fiscal years, the cost of any settlement has not exceeded insurance coverage.

Employee Health Insurance

The City uses an internal service fund to account for its employee health insurance program. The fund is responsible for collecting premiums from all departments for the self-insured health program, paying claim settlements and purchasing certain re-insurance policies.

City Employees and retirees under age 65 and their dependents are eligible for health insurance that is a fully self-insured health maintenance organization (HMO). The City purchases stop loss insurance to cover individual claims that exceed \$75,000 per calendar year. During the year, no claims exceeded the stop loss limit. The City pays 92% of single premium and 84% of family premium for this coverage for the PPO and 95% of single premiums and 89% of family premiums for the EPO. Costs are charged to City departments through a charge per employee per pay period.

Liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities for the coverage are calculated based on outstanding claims. The amount to be paid out ultimately may be more or less than the amount accrued at September 30, 2007.

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

Changes in the balances of claims liability are as follows:

	<u>2007</u>	<u>2006</u>
Liability balances, beginning of year	\$ --	\$ 100,969
Claims and Changes in estimates	1,818,488	1,269,498
Claim payments	<u>1,818,488</u>	<u>1,370,467</u>
Liability balances, end of year	<u>\$ --</u>	<u>\$ --</u>

NOTE 13. UNEARNED/DEFERRED REVENUES

Governmental fund deferred revenue at year-end was \$418,742 of reimbursements due from the State of Georgia for underpass construction expenditures, \$177,109 for property taxes and \$3,445 for services to be performed.

NOTE 14. RESTRICTED ASSETS

At September 30, 2007, the account balances are comprised of the following:

Governmental activities:

	<u>Major Funds</u>		
	<u>General</u>	<u>E911</u>	<u>Capital projects</u>
Restricted assets:			
Cash-Court funds	\$ 46,443	\$ --	\$ --
Cash-Grants	364	--	--
Cash-Construction	1,336,694	--	--
Capital improvements	<u>--</u>	<u>333</u>	<u>4,808,198</u>
Total restricted assets	<u>\$ 1,383,501</u>	<u>\$ 333</u>	<u>\$ 4,808,198</u>

NOTE 15. FUND BALANCE/NET ASSETS

Reserves are used to indicate that a portion of the fund balance/net assets is not available for appropriation or is legally segregated for specific future use. The City uses the following reserves:

Governmental Funds:

Restricted for capital projects-restricted for completion of construction projects.

Restricted for inventory-restricted for amounts held in inventory.

Restricted for other purposes-includes amounts in impact fees and cemetery fees to be used for specific purposes.

Restricted for law enforcement-asset forfeitures.

City of Kennesaw, Georgia
Notes to Financial Statements
September 30, 2007

NOTE 16. PRIOR PERIOD ADJUSTMENTS

A. Primary government

The General Fund and E911 Fund prior period adjustments represent a reclassification of the previous amount of compensated absences shown as current in the financial statements as of September 30, 2006. As of September 30, 2007, there was no amount outstanding for compensated absences for individuals who retired or were terminated during the year.

NOTE 17. HOTEL/MOTEL TAX REVENUES AND TOURISM EXPENDITURES

The City of Kennesaw levies an 8% hotel/motel tax in accordance with provisions of the Official Code of Georgia section 48-13-51. This code section requires that the City expend an amount equal to the amount by which the total taxes collected under this section exceed the taxes that would be collected at a rate of 3 percent. For the year ended September 30, 2007, the City collected a total of \$21,226. In accordance with a contractual agreement, \$14,073 has been paid to the bond Trustee on behalf of the Cobb-Marietta Coliseum and Exhibit Hall Authority.

NOTE 18. JOINT VENTURE

The City of Kennesaw is a member of the Atlanta Regional Commission (ARC). The ARC is a Regional Development Center (RDC) created under the laws of the State of Georgia and cities and counties in the area served by the RDC are required to be members. The membership of the ARC includes municipalities and counties in the 10 county metropolitan Atlanta area. The City has no equity interest in the ADC nor does the City materially contribute to the continued existence of the RDC. The Official Code of Georgia Annotated Section 50-8-39.1 states that in the event the RDC ceases operation, the membership can be assessed for any debt or obligation of the RDC. Separate financial statements may be obtained from Atlanta Regional Commission, 40 Courtland Street, NE, Atlanta, Georgia 30303.

NOTE 19. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code §457 and §401(a). The Mayor and Council established the plans (defined contribution plans) and determine the required contribution percentages. Valic and Nationwide administer the plans. All City employees are eligible immediately upon employment and participation is optional. Participants must contribute a minimum of 2% of their annual compensation and the City will match with a contribution equal to 1% of annual compensation. Actual contribution amounts are calculated and made based on a weekly payroll basis. Employees are 100% vested upon participation in the plan. The deferred compensation amounts are not available to employees until termination, retirement, death (payable to beneficiary) or unforeseeable emergency. Employee contributions are deposited into the 457 plan and the employer's portion is deposited into the 401(a) plan.

During the year ended September 30, 2007, employee contributions were \$186,720 and employer contributions were \$34,121. Covered payroll for the year was \$4,043,957.

NOTE 20. COMMITMENTS

The City has active construction projects as of September 30, 2007.

SUPPLEMENTARY INFORMATION

Major Governmental Funds-Budget

Capital Projects Fund

This fund accounts for construction of major capital projects around the City other than those financed by proprietary funds.

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes. The City has the following special revenue funds: Impact Fees, Greenspace, Hotel/Motel Tax, Police Special Revenue, and Cemetery.

Capital Projects Fund-Roads

This fund is used to account for the road construction and improvement throughout the City.



THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF KENNESAW, GEORGIA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 10,285,616	\$ 10,388,616	\$ 2,161,106	(8,227,510)
Intergovernmental	-	-	100,000	100,000
Interest Income	-	-	227,764	227,764
Total Revenues	<u>10,285,616</u>	<u>10,388,616</u>	<u>2,488,870</u>	<u>(7,899,746)</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Capital Outlays	<u>18,783,145</u>	<u>18,886,145</u>	<u>5,180,296</u>	<u>13,705,849</u>
Total Expenditures	<u>18,783,145</u>	<u>18,886,145</u>	<u>5,180,296</u>	<u>13,705,849</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,497,529)</u>	<u>(8,497,529)</u>	<u>(2,691,426)</u>	<u>5,806,103</u>
OTHER FINANCING SOURCES (USES)				
Transfers	<u>2,863,544</u>	<u>2,863,544</u>	<u>1,722,460</u>	<u>(1,141,084)</u>
Total Other Financing Sources (Uses)	<u>2,863,544</u>	<u>2,863,544</u>	<u>1,722,460</u>	<u>(1,141,084)</u>
Net Change in Fund Balance	(5,633,985)	(5,633,985)	(968,966)	4,665,019
Fund Balance (Deficit) - Beginning of Year	<u>6,006,570</u>	<u>6,006,570</u>	<u>6,006,570</u>	-
Fund Balance (Deficit) - End of Year	<u>\$ 372,585</u>	<u>\$ 372,585</u>	<u>\$ 5,037,604</u>	<u>\$ 4,665,019</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF KENNESAW, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007**

	Special Revenue			Capital Projects		Total
	Impact Fees	Hotel/Motel Tax	Police Special Revenue	Cemetery	Capital Projects-Roads	Nonmajor Governmental Funds
ASSETS						
Cash	\$ -	\$ -	\$ 3,366	\$ 36,252	\$ -	\$ 39,618
Receivables (net):						
Taxes	-	8,840	-	-	-	8,840
Due from Other Funds	9,798	-	-	-	-	9,798
Cash - Restricted	2,124	5,931	18,065	-	24,635	50,755
Total Assets	<u>\$ 11,922</u>	<u>\$ 14,771</u>	<u>\$ 21,431</u>	<u>\$ 36,252</u>	<u>\$ 24,635</u>	<u>\$ 109,011</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	4,285	-	18,065	-	-	22,350
Due to Other Funds	-	3,907	-	-	-	3,907
Total Liabilities	<u>4,285</u>	<u>3,907</u>	<u>18,065</u>	<u>-</u>	<u>-</u>	<u>26,257</u>
Fund Balance:						
Unreserved	7,637	10,864	3,366	36,252	24,635	82,754
Total Fund Balances	<u>7,637</u>	<u>10,864</u>	<u>3,366</u>	<u>36,252</u>	<u>24,635</u>	<u>82,754</u>
Total Liabilities and Fund Balances	<u>\$ 11,922</u>	<u>\$ 14,771</u>	<u>\$ 21,431</u>	<u>\$ 36,252</u>	<u>\$ 24,635</u>	<u>\$ 109,011</u>

The accompanying notes are an integral part of this financial statement.

CITY OF KENNESAW, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Special Revenue					Capital Projects	Total Nonmajor Governmental Funds
	Impact Fees	Greenspace	Hotel/Motel Tax	Police Special Revenue	Cemetery	Roads	
REVENUES							
Taxes	\$ -	\$ -	\$ 21,226	\$ -	\$ -	\$ -	\$ 21,226
Charges for Services	18,237	-	-	-	12,138	-	30,375
Miscellaneous Income	-	-	-	-	-	9,013	9,013
Interest Income	1,872	-	209	84	944	932	4,041
Total Revenues	20,109	-	21,435	84	13,082	9,945	64,655
EXPENDITURES							
Current:							
General Government	-	70	14,073	-	-	-	14,143
Capital Outlay	4,285	-	-	-	21,724	-	26,009
Total Expenditures	4,285	70	14,073	-	21,724	-	40,152
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,824	(70)	7,362	84	(8,642)	9,945	24,503
OTHER FINANCING SOURCES (USES)							
Transfers - Out	(73,593)	-	(14,265)	-	-	-	(87,858)
Transfers - In	-	-	-	-	10,480	-	10,480
Total Other Financing Sources (Uses)	(73,593)	-	(14,265)	-	10,480	-	(77,378)
Net Change in Fund Balances	(57,769)	(70)	(6,903)	84	1,838	9,945	(52,875)
Fund Balance (Deficit) - Beginning of Year	65,406	70	17,767	3,282	34,414	14,690	135,629
Fund Balance (Deficit) - End of Year	\$ 7,637	\$ -	\$ 10,864	\$ 3,366	\$ 36,252	\$ 24,635	\$ 82,754

The accompanying notes are an integral part of this financial statement.

CITY OF KENNESAW, GEORGIA
IMPACT FEES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 175,000	\$ 175,000	\$ 18,237	\$ (156,763)
Interest Income	6,341	6,341	1,872	(4,469)
Total Revenues	<u>181,341</u>	<u>181,341</u>	<u>20,109</u>	<u>(161,232)</u>
EXPENDITURES				
Capital Outlays	<u>8,500</u>	<u>8,500</u>	<u>4,285</u>	<u>4,215</u>
Total Expenditures	<u>8,500</u>	<u>8,500</u>	<u>4,285</u>	<u>4,215</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>172,841</u>	<u>172,841</u>	<u>15,824</u>	<u>(157,017)</u>
OTHER FINANCING SOURCES (USES)				
Transfers - Out	<u>(172,841)</u>	<u>(172,841)</u>	<u>(73,593)</u>	<u>99,248</u>
Net Change in Fund Balance	-	-	(57,769)	(57,769)
Fund Balance (Deficit) - Beginning of Year	<u>65,406</u>	<u>65,406</u>	<u>65,406</u>	<u>-</u>
Fund Balance (Deficit) - End of Year	<u>\$ 65,406</u>	<u>\$ 65,406</u>	<u>\$ 7,637</u>	<u>\$ (57,769)</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF KENNESAW, GEORGIA
GREENSPACE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest Income	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
General Government	-	-	70	(70)
Capital Outlays	-	-	-	-
Total Expenditures	-	-	70	(70)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(70)	(70)
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	(70)	(70)
Fund Balance (Deficit) - Beginning of Year	70	70	70	-
Fund Balance (Deficit) - End of Year	<u>\$ 70</u>	<u>\$ 70</u>	<u>\$ -</u>	<u>\$ (70)</u>

The accompanying notes are an integral part of this financial statement.

CITY OF KENNESAW, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 43,970	\$ 43,970	\$ 21,226	\$ (22,744)
Interest Income	14	14	209	195
Total Revenues	<u>43,984</u>	<u>43,984</u>	<u>21,435</u>	<u>(22,549)</u>
EXPENDITURES				
Current:				
General Government	<u>22,694</u>	<u>22,694</u>	<u>14,073</u>	<u>8,621</u>
Total Expenditures	<u>22,694</u>	<u>22,694</u>	<u>14,073</u>	<u>8,621</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>21,290</u>	<u>21,290</u>	<u>7,362</u>	<u>(13,928)</u>
OTHER FINANCING SOURCES (USES)				
Transfers - In	-	-	-	-
Transfers - Out	<u>(21,290)</u>	<u>(21,290)</u>	<u>(14,265)</u>	<u>7,025</u>
Total Other Financing Sources (Uses)	<u>(21,290)</u>	<u>(21,290)</u>	<u>(14,265)</u>	<u>7,025</u>
Net Change in Fund Balance	-	-	(6,903)	(6,903)
Fund Balance (Deficit) - Beginning of Year	<u>17,767</u>	<u>17,767</u>	<u>17,767</u>	<u>-</u>
Fund Balance (Deficit) - End of Year	<u>\$ 17,767</u>	<u>\$ 17,767</u>	<u>\$ 10,864</u>	<u>\$ (6,903)</u>

The accompanying notes are an integral part of this financial statement.

CITY OF KENNESAW, GEORGIA
POLICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
REVENUES				
Charges for Services	\$ -	\$ -	\$ -	\$ -
Interest Income	-	85	84	(1)
Total Revenues	-	85	84	(1)
EXPENDITURES				
Current:				
General Government	-	-	-	-
Intergovernmental	-	-	-	-
Capital Outlay	-	85	-	-
Total Expenditures	-	85	-	-
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	-	-	84	84
OTHER FINANCING SOURCES (USES)				
Transfers - In	-	-	-	-
Transfers - Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	84	84
Fund Balance (Deficit) - Beginning of Year	3,282	3,282	3,282	-
Fund Balance (Deficit) - End of Year	<u>\$ 3,282</u>	<u>\$ 3,282</u>	<u>\$ 3,366</u>	<u>\$ 84</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF KENNESAW, GEORGIA
CEMETERY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 6,100	\$ 6,100	\$ 12,138	\$ 6,038
Miscellaneous Income	-	-	-	-
Interest Income	50	50	944	894
Total Revenues	<u>6,150</u>	<u>6,150</u>	<u>13,082</u>	<u>6,932</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Works	-	-	-	-
Capital Outlays	10,000	10,000	21,724	(11,724)
Total Expenditures	<u>10,000</u>	<u>10,000</u>	<u>21,724</u>	<u>(11,724)</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>(3,850)</u>	<u>(3,850)</u>	<u>(8,642)</u>	<u>(4,792)</u>
OTHER FINANCING SOURCES (USES)				
Transfers - In	3,850	3,850	10,480	6,630
Transfers - Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>3,850</u>	<u>3,850</u>	<u>10,480</u>	<u>6,630</u>
Net Change in Fund Balance	-	-	1,838	1,838
Fund Balance (Deficit) - Beginning of Year	<u>34,414</u>	<u>34,414</u>	<u>34,414</u>	<u>-</u>
Fund Balance (Deficit) - End of Year	<u>\$ 34,414</u>	<u>\$ 34,414</u>	<u>\$ 36,252</u>	<u>\$ 1,838</u>

The accompanying notes are an integral part of this financial statement.

CITY OF KENNESAW, GEORGIA
CAPITAL PROJECTS FUND-ROADS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final		
REVENUES				
Interest Income	\$ -	\$ -	\$ 932	\$ 932
Miscellaneous Income	-	-	9,013	9,013
Total Revenues	-	-	9,945	9,945
EXPENDITURES				
Current:				
General Government	-	-	-	-
Capital Outlay	20,000	20,000	-	20,000
Total Expenditures	20,000	20,000	-	20,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,000)	(20,000)	9,945	29,945
OTHER FINANCING SOURCES (USES)				
Transfers	20,000	20,000	-	(20,000)
Total Other Financing Sources (Uses)	20,000	20,000	-	(20,000)
Net Change in Fund Balance	-	-	9,945	9,945
Fund Balance (Deficit) - Beginning of Year	14,690	14,690	14,690	-
Fund Balance (Deficit) - End of Year	\$ 14,690	\$ 14,690	\$ 24,635	\$ 9,945

The accompanying notes are an integral part of this financial statement.

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION



STATISTICAL SECTION

The statistical section of the comprehensive annual financial report is the chief source of information regarding the City's economic condition. All of the information presented in the statistical section is organized around the following five specific objectives.

Financial Trends

To provide information that is needed to help users understand and assess how the City's financial position has changed over time. 78-81

Revenue Capacity

To provide information necessary to help users understand and assess the City's ability to generate own-source revenues. 82-85

Debt Capacity

To provide information that is needed to help users understand and assess the City's debt burden and its ability to issue additional debt. 86-90

Demographic and Economic Information

To provide information needed to understand the City's economic and social environment and to facilitate comparisons of financial statement information over time and among governments. 91-92

Operating Information

To provide information needed to help users understand the City's operations and resources as well as to provide a context for understanding and assessing its economic condition 93-95

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year

City of Kennesaw, Georgia
Government - Wide Net Assets By Category
Last Four Fiscal Years
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 8,342,678	\$ 4,782,359	\$ 7,020,435	\$ 13,367,294
Restricted	1,329,737	44,141	109,218	6,441,818
Unrestricted	<u>5,221,136</u>	<u>26,099,758</u>	<u>18,879,192</u>	<u>9,000,622</u>
Total governmental activities net assets	<u>\$ 14,893,551</u>	<u>\$ 30,926,258</u>	<u>\$ 26,008,845</u>	<u>\$ 28,809,734</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 4,654,954	\$ 1,477,421	\$ 1,380,591	\$ 1,712,372
Restricted	233,142	-	-	-
Unrestricted	<u>(525,207)</u>	<u>(1,200,340)</u>	<u>(1,295,823)</u>	<u>(1,513,521)</u>
Total business-type activities net assets	<u>\$ 4,362,889</u>	<u>\$ 277,081</u>	<u>\$ 84,768</u>	<u>\$ 198,851</u>
Primary government				
Invested in capital assets, net of related debt	\$ 12,997,632	\$ 6,259,780	\$ 8,401,026	\$ 15,079,666
Restricted	1,562,879	44,141	109,218	6,441,818
Unrestricted	<u>4,695,929</u>	<u>24,899,418</u>	<u>17,583,369</u>	<u>7,487,101</u>
Total primary government net assets	<u>\$ 19,256,440</u>	<u>\$ 31,203,339</u>	<u>\$ 26,093,613</u>	<u>\$ 29,008,585</u>

Note: The City implemented GASB Statement No. 34 in fiscal year 2004; therefore, only four years of government - wide financial data is presented.

City of Kennesaw, Georgia
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses				
Governmental activities:				
General Government	\$ 2,139,830	\$ 2,450,278	\$ 2,739,827	\$ 3,003,822
Judicial	288,131	291,286	297,730	355,036
Public Safety	4,614,765	4,929,400	5,273,599	5,715,932
Public Works	1,759,500	1,962,111	2,047,160	2,174,348
Culture and Recreation	1,427,314	1,726,860	1,853,478	2,117,371
Housing and Development	796,281	860,740	956,076	1,163,980
Interest on Long-term Debt	66,536	483,192	729,315	687,920
Total governmental activities expenses	<u>11,092,357</u>	<u>12,703,867</u>	<u>13,897,185</u>	<u>15,218,409</u>
Business-type activities:				
Water & Sewer	2,727,323	595,512	267,612	-
Kennesaw Civil War Museum	1,149,452	1,132,761	1,225,111	1,567,615
Sanitation	1,374,148	1,541,624	1,673,495	1,809,968
Arboretum	-	-	-	117,367
Total business-type activities expenses	<u>5,250,923</u>	<u>3,269,897</u>	<u>3,166,218</u>	<u>3,494,950</u>
Total primary government expenses	<u>\$ 16,343,280</u>	<u>\$ 15,973,764</u>	<u>\$ 17,063,403</u>	<u>\$ 18,713,359</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	\$ 149,870	\$ 678,846	\$ 321,442	\$ 166,028
Judicial	-	-	-	1,438,119
Public Safety	2,019,469	2,321,514	2,204,458	862,072
Public Works	3,600	8,975	-	-
Culture and Recreation	234,622	345,212	388,197	488,648
Housing and Development	589,521	374,688	436,080	212,315
Operating grants and contributions	316,844	564,078	451,435	6,600
Capital grants and contributions	339,787	617,691	551,632	597,003
Total governmental activities program revenues	<u>3,653,713</u>	<u>4,911,004</u>	<u>4,353,244</u>	<u>3,770,785</u>
Business-type activities:				
Charges for services:				
Water & Sewer	3,304,497	821,295	250	-
Kennesaw Civil War Museum	389,542	355,472	406,631	399,424
Sanitation	1,911,230	1,823,046	1,859,726	2,265,607
Arboretum	-	-	-	1,827
Operating grants and contributions	-	-	-	-
Capital grants and contributions	127,220	89,923	73,341	270,176
Total business-type activities program revenues	<u>5,732,489</u>	<u>3,089,736</u>	<u>2,339,948</u>	<u>2,937,034</u>
Total primary government program revenues	<u>\$ 9,386,202</u>	<u>\$ 8,000,740</u>	<u>\$ 6,693,192</u>	<u>\$ 6,707,819</u>
Net (expense) revenue				
Governmental activities	\$ (7,438,644)	\$ (7,792,863)	\$ (9,543,941)	\$ (11,447,624)
Business-type activities	481,566	(180,161)	(826,270)	(557,916)
Total primary government net (expense)	<u>\$ (6,957,078)</u>	<u>\$ (7,973,024)</u>	<u>\$ (10,370,211)</u>	<u>\$ (12,005,540)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Property	\$ 5,749,009	\$ 6,972,299	\$ 877,431	\$ 7,854,106
Hotel/Motel	49,074	32,694	35,719	30,831
Insurance Premium	1,009,007	1,085,560	1,135,767	1,184,731
Business/Occupation	248,449	273,132	449,532	677,558
Beverage	435,993	383,503	456,922	392,255
Franchise	952,081	1,238,424	1,339,312	1,424,642
Special Local Option Sales Tax	-	-	-	2,161,106
Other	70,734	84,550	169,999	151,149
Investment Earnings	83,103	431,697	695,606	874,289
Miscellaneous	236,856	284,653	46,470	146,999
Gain on Sale of Capital Assets	16,164	-	-	18,037
Transfers	138,585	13,055,810	(591,046)	(667,190)
Total governmental activities	<u>8,989,055</u>	<u>23,842,322</u>	<u>4,615,712</u>	<u>14,248,513</u>
Business-type activities:				
Investment earnings	16,187	8,199	18,421	6,102
Special item - Sale of Water/Sewer System	-	9,141,964	-	-
Transfers	(138,585)	(13,055,810)	591,046	667,190
Total business-type activities	<u>(122,398)</u>	<u>(3,905,647)</u>	<u>609,467</u>	<u>673,292</u>
Total primary government	<u>\$ 8,866,657</u>	<u>\$ 19,936,675</u>	<u>\$ 5,225,179</u>	<u>\$ 14,921,805</u>
Change in Net Assets				
Governmental activities	\$ 1,550,411	\$ 16,049,459	\$ (4,928,229)	\$ 2,800,889
Business-type activities	359,168	(4,085,808)	(216,803)	115,376
Total primary government	<u>\$ 1,909,579</u>	<u>\$ 11,963,651</u>	<u>\$ (5,145,032)</u>	<u>\$ 2,916,265</u>

City of Kennesaw, Georgia
Fund Balances - Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund				
Reserved	\$ 1,115,381	\$ 13,338,674	\$ 10,738,817	\$ 10,246,934
Unreserved	<u>6,385,735</u>	<u>6,839,582</u>	<u>2,609,311</u>	<u>960,458</u>
Total general fund	<u>\$ 7,501,116</u>	<u>\$ 20,178,256</u>	<u>\$ 13,348,128</u>	<u>\$ 11,207,392</u>
All other governmental funds				
Reserved	\$ 230,639	\$ 152,763	\$ 6,073,896	\$ 4,509,650
Unreserved	<u>(1,463,108)</u>	<u>5,071,843</u>	<u>(476,587)</u>	<u>82,754</u>
Total all other governmental funds	<u>\$ (1,232,469)</u>	<u>\$ 5,224,606</u>	<u>\$ 5,597,309</u>	<u>\$ 4,592,404</u>

City of Kennesaw, Georgia
Changes in Fund Balances - Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues				
Taxes	\$ 8,167,758	\$ 9,826,095	\$ 5,073,824	\$ 13,699,269
Licenses and Permits	714,067	493,574	465,428	335,027
Intergovernmental	656,631	1,165,394	880,265	588,255
Fines and Forfeitures	1,201,429	1,424,003	1,409,487	1,438,119
Charges for Services	1,256,708	1,462,387	1,475,263	1,394,036
Miscellaneous Income	61,734	104,300	122,055	146,999
Interest Income	83,103	431,697	695,606	874,289
Contributions and Donations	-	-	-	15,348
Total revenues	<u>12,141,430</u>	<u>14,907,450</u>	<u>10,121,928</u>	<u>18,491,342</u>
Expenditures				
General Government	2,071,705	2,433,645	2,731,873	2,596,300
Judicial	291,142	351,134	289,526	570,422
Public Safety	4,747,284	4,768,696	5,340,078	5,812,485
Public Works	1,916,114	1,979,804	2,126,910	1,441,893
Culture and Recreation	1,396,240	1,646,862	1,819,192	2,129,853
Housing and Development	782,515	846,996	950,474	1,155,947
Capital Outlay	4,226,119	10,545,779	1,512,272	6,433,322
Debt Service				
Principal	143,514	258,989	499,483	549,465
Interest	66,536	490,693	729,315	682,385
Bond issuance costs	<u>71,666</u>	<u>250,029</u>	-	-
Total expenditures	<u>15,712,835</u>	<u>23,572,627</u>	<u>15,999,123</u>	<u>21,372,073</u>
Excess of revenues over (under) expenditures	(3,571,405)	(8,665,177)	(5,877,195)	(2,880,731)
Other financing sources (uses)				
Transfers in	3,649,792	29,980,846	2,605,124	2,032,940
Transfers out	(3,511,207)	(17,171,757)	(3,196,170)	(2,700,130)
Bonds issued	2,100,000	15,000,000	-	-
Capital leases	41,985	-	-	143,100
Sale of capital assets	<u>16,164</u>	<u>7,055</u>	-	<u>18,037</u>
Total other financing sources (uses)	<u>2,296,734</u>	<u>27,816,144</u>	<u>(591,046)</u>	<u>(506,053)</u>
Net change in fund balances	<u>\$ (1,274,671)</u>	<u>\$ 19,150,967</u>	<u>\$ (6,468,241)</u>	<u>\$ (3,386,784)</u>
Debt service as a percentage of non capital expenditures	2.5%	8.3%	9.3%	9.0%

City of Kennesaw, Georgia
Taxable Assessed Value and Estimated Actual Value of Property
Last Six Fiscal Years

Fiscal Year Ended September 30	Residential Property	Agricultural Property	Commercial Property	Industrial Property	Historical Property	Conservation Use Property	Utility Property
2002	\$ 450,750,212	\$ -	\$ 272,184,394	\$ 20,090,125	\$ 38,212	\$ -	\$ 6,546,338
2003	473,978,749	100,812	263,439,860	19,497,926	175,948	110,552	6,439,565
2004	517,107,390	130,248	269,033,755	20,778,600	175,948	499,924	6,821,683
2005	552,469,450	150,468	333,286,025	23,793,723	258,936	647,580	7,577,053
2006	552,469,450	150,468	333,286,025	23,793,723	258,936	647,580	7,577,053
2007	595,517,794	150,468	374,045,624	23,736,484	316,928	647,580	8,339,039

Motor Vehicles and Mobile	Other Property	Less: Tax Exempt Property	(1) Total Taxable Assessed Value	(2) Total Direct Tax Rate	Estimated Actual Value	Annual Percentage Change
2002	\$ 69,429,349	\$ 103,740	\$ 708,596,831	6.75	\$ 1,771,492,078	N/A
2003	71,842,215	67,476	731,924,214	6.75	1,829,810,535	3.29%
2004	73,462,905	187,725	772,204,138	6.75	1,930,510,345	5.50%
2005	71,591,680	154,313	866,871,465	8.25	2,167,178,663	12.26%
2006	71,591,680	154,313	866,871,465	8.25	2,167,178,663	0.00%
2007	74,361,926	150,120	934,839,101	8.25	2,337,097,753	7.84%

Note: (1) All property is assessed at 40% of fair market value

(2) Tax rates expressed in rate per \$1,000

(3) The City changed their tax levy date from August to October effective 2007; therefore Fiscal Year 2006 did not have a tax levy. As a result, Fiscal Year 2005 and 2006 show the same values.

Source: Tax Digest provided by the Cobb County Tax Commissioner's Office

City of Kennesaw, Georgia
Direct and Underlying Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed taxable value)

(A)					
Underlying Rates					Total Direct and Underlying Rates
Fiscal Year	City Direct Rate	Cobb County	Cobb County Schools	State of Georgia	
1998	6.75	11.55	19.90	0.25	38.45
1999	6.75	9.12	19.90	0.25	36.02
2000	6.75	8.99	19.90	0.25	35.89
2001	6.75	9.87	19.90	0.25	36.77
2002	6.75	9.72	19.90	0.25	36.62
2003	6.75	9.72	19.90	0.25	36.62
2004	6.75	9.72	19.90	0.25	36.62
2005	8.25	9.72	19.90	0.25	38.12
2006	8.25	9.72	19.90	0.25	38.12
2007	8.25	9.38	19.90	0.25	37.78

(A) Underlying rates are those of Cobb County, Cobb County School System and the State of Georgia that apply to property owners within the City of Kennesaw.

Source: Cobb County Tax Commissioner's Office

City of Kennesaw, Georgia
Principal Property Taxpayers

Fiscal Year
Fiscal Year Ended September 30, 2007 and 1998

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
The Trees of Kennesaw	\$ 15,762,640	1	1.69%	N/A		
Busbee Development LLC	11,800,000	2	1.26%	N/A		
Atlanta RDC Co.	9,319,656	3	1.00%	N/A		
Kennesaw Gardens Associates LLC	8,800,000	4	0.94%	N/A		
Walton Ridenour LP	8,535,214	5	0.91%	N/A		
Hillside Vista Apartments LLC	7,457,200	6	0.80%	N/A		
Lakeside Vista Apartments LP	7,325,351	7	0.78%	N/A		
Alta Ridenour LLC	6,848,984	8	0.73%	N/A		
NNN St. Charles LLC	6,250,000	9	0.67%	N/A		
Barrett Parkway Highway 41 LLC	5,359,142	10	0.57%	N/A		
Total Principal Taxpayers	\$ 87,458,187		9.37%	\$ -		0.0%
All Other Taxpayers	\$ 847,380,914		90.63%			
Total Taxable Assessed Value	\$ 934,839,101		100.00%			

Note: Taxes were collected for the City of Kennesaw by the Cobb County Tax Commissioner's Office in 1998. Due to a change in software, Cobb County was not able to produce tax information specific to Kennesaw for that year.

**City of Kennesaw, Georgia
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended September 30	Taxes Levied for the Fiscal year	Collected within the Fiscal year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 2,421,076	\$ 2,219,882	91.7%	\$ 200,168	\$ 2,420,050	100.0%
1999	2,978,147	2,739,895	92.0%	234,898	2,974,793	99.9%
2000	3,553,699	3,235,737	91.1%	292,781	3,528,518	99.3%
2001	3,779,019	3,294,000	87.2%	480,337	3,774,337	99.9%
2002	3,968,907	1,202,000	30.3%	2,757,902	3,959,902	99.8%
2003	4,102,109	3,650,000	89.0%	425,565	4,075,565	99.4%
2004	4,352,283	3,930,973	90.3%	323,546	4,254,519	97.8%
2005	6,244,113	5,653,457	90.5%	30,521	5,683,978	91.0%
2006	-	-	0.0%	-	-	0.0%
2007	6,704,112	6,534,412	97.5%	-	6,534,412	97.5%

Source: Cobb County Tax Commissioner

Note: The 2006 taxes were levied in FY2007 on October 2, 2006. Taxes were previously collected by Cobb County Tax Commissioner's Office and levied on August 15th. Moving the levy date from August to October is reflected with zeros for 2006.

**City of Kennesaw, Georgia
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended September 30	Taxes Levied for the Fiscal year	Collected within the Fiscal year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 2,421,076	\$ 2,219,882	91.7%	\$ 200,168	\$ 2,420,050	100.0%
1999	2,978,147	2,739,895	92.0%	234,898	2,974,793	99.9%
2000	3,553,699	3,235,737	91.1%	292,781	3,528,518	99.3%
2001	3,779,019	3,294,000	87.2%	480,337	3,774,337	99.9%
2002	3,968,907	1,202,000	30.3%	2,757,902	3,959,902	99.8%
2003	4,102,109	3,650,000	89.0%	425,565	4,075,565	99.4%
2004	4,352,283	3,930,973	90.3%	323,546	4,254,519	97.8%
2005	6,244,113	5,653,457	90.5%	30,521	5,683,978	91.0%
2006	-	-	0.0%	-	-	0.0%
2007	6,704,112	6,534,412	97.5%	-	6,534,412	97.5%

Source: Cobb County Tax Commissioner

Note: The 2006 taxes were levied in FY2007 on October 2, 2006. Taxes were previously collected by Cobb County Tax Commissioner's Office and levied on August 15th. Moving the levy date from August to October is reflected with zeros for 2006.

City of Kennesaw, Georgia
Ratios of General Bonded Debt Outstanding
Last Six Fiscal years

Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2002	\$ 400,000	0.02%	\$ 11
2003	270,000	0.01%	8
2004	140,000	0.01%	4
2005	15,000,000	0.69%	476
2006	14,625,000	0.67%	407
2007	14,240,000	0.61%	452

Note: Details about the city's outstanding debt can be found in the notes to the financial statements.

City of Kennesaw, Georgia
Direct and Overlapping Governmental Activities Debt
As of September 30, 2007

<u>Governmental unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable⁽¹⁾</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Cobb County General Obligation Debt	\$ 58,070,000	3.86%	\$ 2,241,502
Cobb County TANs	76,000,000	3.86%	2,933,600
Other Debt			
Cobb County Recreation Authority	3,470,000	3.86%	133,942
Cobb County Solid Waste Disposal	15,765,000	3.86%	608,529
Cobb County Administration Building	2,980,000	3.86%	115,028
Cobb-Marietta Coliseum and Exhibit Hall	54,280,000	3.86%	2,095,208
Subtotal, overlapping debt			
City direct debt		100.00%	<u>14,240,000</u>
Total direct and overlapping debt			<u>\$ 22,367,809</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Cobb County Board of Equalization and Assessment. Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

⁽¹⁾ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

City of Kennesaw, Georgia
Legal Debt Margin Information
Last Ten Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 40,889,847	\$ 49,368,044	\$ 57,647,739	\$ 63,497,896	\$ 70,859,683	\$ 73,192,421	\$ 77,220,414	\$ 86,687,147	\$ 86,687,147	\$ 93,483,910
Total net debt applicable to limit: General obligation bonds	970,000	825,000	635,000	520,000	400,000	270,000	140,000	15,000,000	14,625,000	14,240,000
Legal debt margin	\$ 39,919,847	\$ 48,543,044	\$ 57,012,739	\$ 62,977,896	\$ 70,459,683	\$ 72,922,421	\$ 77,080,414	\$ 71,687,147	\$ 72,062,147	\$ 79,243,910
Total net debt applicable to the limit as a percentage of debt limit	2.37%	1.67%	1.10%	0.82%	0.56%	0.37%	0.18%	17.30%	16.87%	15.23%
Total taxable assessed value										\$ 934,839,101
Debt limit (10% of assessed taxable value)										93,483,910

Note: The Constitution of the State of Georgia Article IX, Section V limits outstanding general obligation debt to 10 percent of the assessed value of all taxable property.

**City of Kennesaw, Georgia
Pledged-Revenue Coverage
Last Ten Fiscal Years**

Water Revenue Bonds						
Fiscal Year	Utility Service Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1998	\$ 2,001,509	\$ 1,525,863	\$ 475,646	\$ 30,000	\$ 20,989	9.3
1999	2,142,222	1,642,921	499,301	35,000	18,889	9.3
2000	2,257,877	1,815,584	442,293	35,000	16,441	9
2001	2,154,497	1,837,178	317,319	-	13,982	22.7
2002	2,242,866	2,023,394	219,472	40,000	11,900	4.2
2003	2,499,033	2,212,715	286,318	45,000	9,665	5.2
2004	3,304,497	2,583,717	720,780	105,000	7,525	6.4
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Utility service charges and other includes water/sewer charges and investment earnings but not tap fees.
Operating expenses do not include depreciation or interest.

City of Kennesaw, Georgia
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population ⁽¹⁾	Per Capita Income ⁽²⁾	Median Age ⁽¹⁾	Unemployment Rate ⁽³⁾
1998	20,530	\$ 30,373	35.9	2.7%
1999	21,095	31,941	36.2	2.8%
2000	21,675	34,425	38.3	2.6%
2001	22,271	34,882	39.2	3.2%
2002	22,884	35,763	33.2	4.4%
2003	23,513	35,763	33.2	3.9%
2004	24,273	35,974	34.4	4.1%
2005	30,520	31,500	33.4	4.5%
2006	32,289	31,500	33.4	3.7%
2007	34,058	31,500	35.4	4.5%

Data Sources:

⁽¹⁾ Claritas Demographic Reports, U.S. Census Bureau

⁽²⁾ Georgia State Department of Industry and Trade, Cobb County Chamber of Commerce
Last updated FY 2005

⁽³⁾ Georgia Department of Labor, Cobb County Chamber of Commerce

City of Kennesaw, Georgia
Principal Employers
September 30, 2007 and 1998

2007

Rank	Employer	Industry	Number of Employees	% of Total
1	Atlanta Bonded Warehouse	Food Distribution	233	38.39%
2	Cintas	Uniform Rental	162	26.69%
3	Graphic Solutions, Inc.	Commercial Printing	80	13.18%
4	Tug Manufacturing Company	Transportation	56	9.23%
5	Consolidated Engineering	Industrial Furnaces	51	8.40%
6	Hitachi Maxco, Inc.	Environmental Products	25	4.11%
	Total		607	

1998

Rank	Employer	Industry	Number of Employees
1	Tug Manufacturing Company	Transportation	N/A
2	Atlanta Bonded Warehouse	Food Distribution	N/A
3	Consolidated Engineering	Industrial Furnaces	N/A
4	Hitachi Maxco, Inc.	Environmental Products	N/A
5	Image Ink Jet Printing, Inc.	Ink Jet Printers	N/A

City of Kennesaw, Georgia
Number of City Employees By Function/Program
Last Ten Fiscal Years

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government	-	6	9	10	12	14	17	19	27	35
Police	-	19	23	28	36	42	49	58	68	76
Garage	-	3	3	4	4	4	4	4	4	4
Culture and recreation	-	7	13	15	18	26	31	32	43	38
Planning and development	-	2	4	5	7	7	8	7	7	9
Public works	-	11	12	14	19	19	20	20	21	23
Sanitation	-	8	8	8	12	15	17	20	24	23
Total	-	<u>56</u>	<u>72</u>	<u>84</u>	<u>108</u>	<u>127</u>	<u>146</u>	<u>160</u>	<u>194</u>	<u>208</u>

Note: Per Human Resources no records in file for 1998

City of Kennesaw, Georgia
Operating Indicators by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police										
Physical arrests	597	516	540	565	741	618	634	706	947	2,188
Parking violations	100	93	99	106	104	152	117	142	126	126
Traffic Violations	10,201	9,234	9,228	10,456	10,389	15,100	11,588	14,128	12,537	14,026
Culture and Recreation (1)										
Admissions/fees	\$ 69,637	\$ 90,819	\$ 121,235	\$ 174,280	\$ 193,227	\$ 262,055	\$ 237,746	\$ 551,597	\$ 655,460	\$ 735,196
Public Works										
Street resurfacing miles	76	78	80	80	80	80	90	97.24	98.25	99.4
Housing and Development										
Building permits issued	633	728	706	159	266	339	612	303	243	304
Sanitation										
Number of customers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7,882
Water system (2)										
Number of consumers	N/A	N/A	8,030	8,030	4,234	4,380	4,267	N/A	N/A	N/A

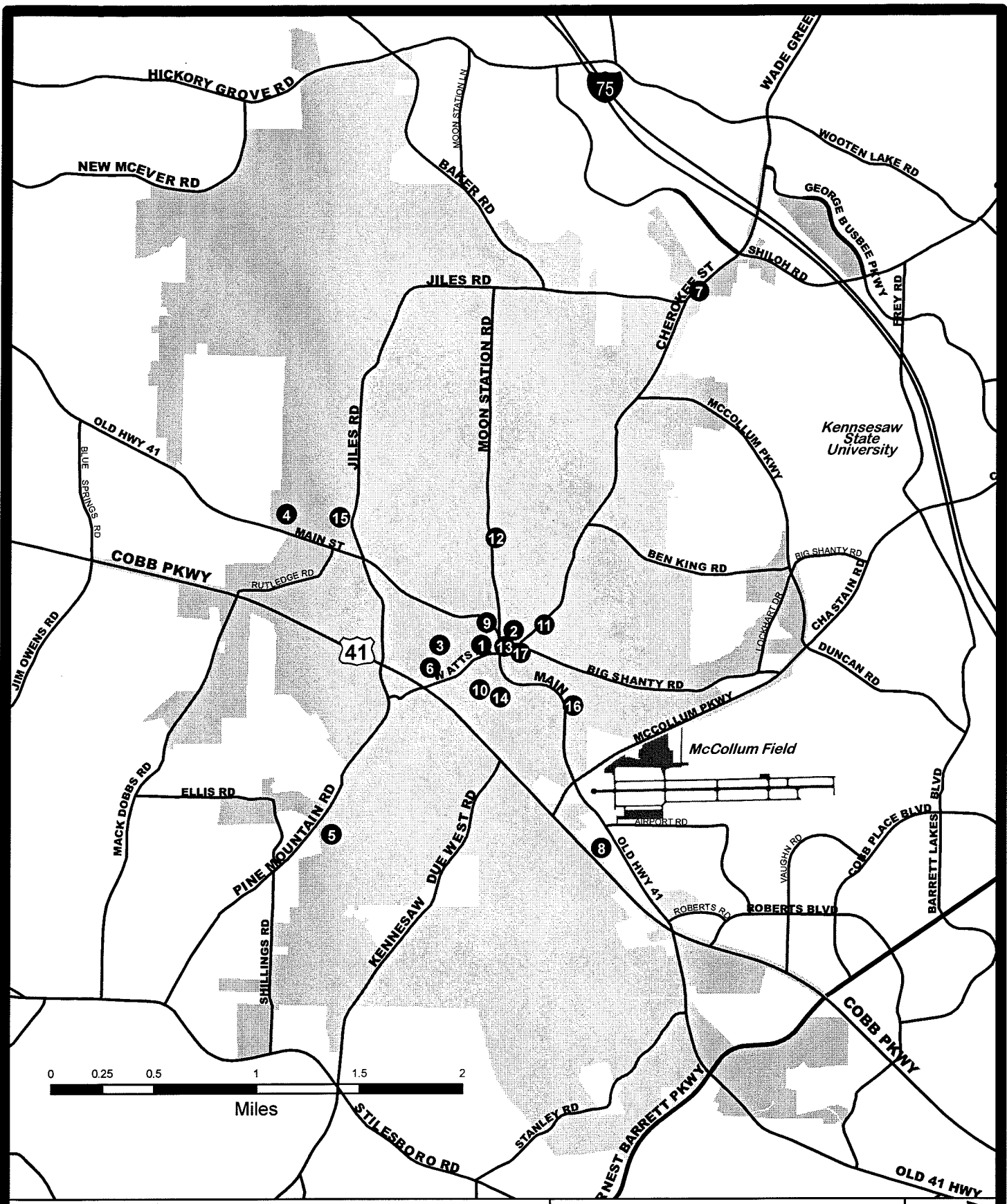
Note: (1) Effective Fiscal Year 2005, Admissions and Fees included both the Museum and Parks & Recreation.
Effective Fiscal Year 2007, Admissions and Fees included the Museum, Parks & Recreation and the Arboretum.

(2) The Water System was sold in Fiscal Year 2005.

City of Kennesaw, Georgia
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	29	30	34	36	41	41	51	52	54	56
Culture and recreation										
Acreage	64	64	64	64	64	64	118	118	118	118
Baseball/Softball fields	7	7	11	11	11	11	11	11	11	11
Soccer/football fields	0	0	1	1	1	1	1	1	1	1
Public Works										
Miles of Streets	76	78	80	80	80	80	90	97.24	98.25	99.4
Sanitation										
Collection vehicles	7	7	7	8	8	8	8	9	10	10

THIS PAGE INTENTIONALLY LEFT BLANK



- | | |
|---|--------------------------------------|
| 1 . City Hall/Court/Police Station | 10 . City Cemetery |
| 2 . The Southern Museum of Civil War & Locomotive History | 11 . Bobby Grant Center |
| 3 . Adams Park | 12 . Public Works |
| 4 . Smith Cantrell Park | 13 . Depot Park |
| 5 . Smith Gilbert Arboretum | 14 . Martha Moore Educational Center |
| 6 . Kennesaw Community Center | 15 . Kennesaw Elementary School |
| 7 . Cobb County Fire Department | 16 . Post Office |
| 8 . Cobb County Fire & Police | 17 . Community House/Pottery Barn |
| 9 . Library | |

KENNESAW CITY LIMITS



CITY OF KENNESAW

Mark Mathews
Mayor
Debra Taylor
City Clerk



Print Date: 3/24/2008
File: City General

ADDITIONAL REPORTS AND SCHEDULES



THIS PAGE INTENTIONALLY LEFT BLANK

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Kennesaw, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kennesaw, Georgia, as of and for the year ended September 30, 2007, which collectively comprise the City of Kennesaw, Georgia's basic financial statements and have issued our report thereon dated February 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Kennesaw, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kennesaw, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Kennesaw, Georgia's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Kennesaw, Georgia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Kennesaw, Georgia's financial statements that is more than inconsequential will not be prevented or detected by the City of Kennesaw, Georgia's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Kennesaw, Georgia's internal control.

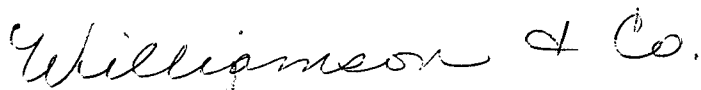
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kennesaw, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Kennesaw, Georgia, in a separate letter dated February 29, 2008.

This report is intended solely for the information and use of management, the audit committee, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Williamson & Co.".

Williamson and Company, CPA's
Cartersville, Georgia
February 29, 2008

CITY OF KENNESAW, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED SEPTEMBER 30, 2007

<u>SPLOST I PROJECT DESCRIPTION (2005)</u>	<u>ESTIMATED COST</u>		<u>PRIOR</u>	<u>EXPENDITURES</u>		<u>TOTAL</u>	<u>ESTIMATED PERCENTAGE OF COMPLETION</u>
	<u>ORIGINAL</u>	<u>CURRENT</u>		<u>CURRENT</u>			
Stanley Road/Collins Road	\$ 1,900,000	\$ 1,900,000	\$ -	\$ -	\$ -	-	0.00%
Old Highway 41	2,600,000	2,600,000	-	-	-	-	0.00%
Kennesaw Due West road	750,000	750,000	-	-	-	-	0.00%
Pine Mountain Road @US 41	300,000	300,000	-	6,055	6,055	-	2.02%
Rutledge Road	900,000	900,000	-	-	-	-	0.00%
Jiles Road	9,900,000	9,900,000	-	-	-	-	0.00%
Cherokee Street	3,750,000	3,750,000	-	234,598	234,598	-	6.26%
McCollum Parkway	200,000	200,000	-	-	-	-	0.00%
Barrett Parkway	520,300	520,300	-	-	-	-	0.00%
Pine Mountain Court & US 41	200,000	200,000	-	6,055	6,055	-	3.03%
Cobb International Boulevard	1,000,000	1,000,000	-	-	-	-	0.00%
Sidewalk Projects	410,900	410,900	-	-	-	-	0.00%
Resurfacing Projects	520,774	520,774	-	-	-	-	0.00%
800 MHZ Radios	<u>353,943</u>	<u>428,766</u>	<u>33,998</u>	<u>323,400</u>	<u>357,398</u>	-	83.36%
TOTALS	\$ 23,305,917	\$ 23,380,740	\$ 33,998	\$ 570,108	\$ 604,106		

This schedule has been prepared on the accrual basis of accounting.